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**H1 Economics**

**8819/01**

Case Study and Essay Questions

**15 September 2016**

**3 hours**

Additional Materials: Writing Paper

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**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 an HB pencil for any diagrams or graphs.

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

**Section A**

Answer **all** questions.

**Section B**

Answer **one** question.

Begin each 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 question.

**[Turn Over]**

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This document consists of **8** printed pages and **3** cover sheets.

## Section A

Answer **all** the questions in this section.

### Question 1 Public Transport in Singapore

#### Extract 1 Bus and train ridership hits new high

Bus and rail ridership rose by 4.1 per cent last year. According to the Land Transport Authority (LTA), LRT patronage led the growth, followed by MRT trips. Together, rail ridership grew 4.6 per cent to cross the three million mark for the first time - more than double the ridership a decade ago.

**Table 1: Public Transport Ridership**

Average Daily Ridership ('000 passenger-trips)							
	2009	2010	2011	2012	2013	2014	2015
MRT	1,782	2,069	2,295	2,525	2,623	2,762	2,871
LRT	90	100	111	124	132	137	153
Bus	3,047	3,199	3,385	3,481	3,601	3,751	3,891
Taxi	860	912	933	967	967	1,020	1,010

Source: Land Transport Authority, Singapore 2016

The public transport ridership growth has come on the back of a growing population and more prohibitive car prices. It has also been driven by more buses, trains and to a smaller extent, the opening of Downtown Line 2 in late December. As at the end of last year, more than three quarters of a planned tax-funded fleet of 1,000 public buses have been put on the road, while more new trains were added for the various MRT lines. Furthermore, bus and rail fares fell by 1.9% from 2014 to 2015. Meanwhile, taxis suffered a dip in ridership last year.

Source: The Straits Times, 10 March 2016

#### Extract 2 Government spends on transport infrastructure and subsidies

To ensure that public transport costs in Singapore stay affordable to the commuter, the government has been subsidising public transport by funding the infrastructure and start-up costs of the rail and bus networks, such as rail tracks, signalling and power systems, buying buses under the Bus Service Enhancement Programme and providing direct fare subsidies. While fares should be kept affordable, the government also needs to ensure that the burden on taxpayers does not become excessive.

Both SBS Transit and SMRT have seen higher operating expenses last year, however, public transport operators are seeing lower energy costs today.

Source: The Straits Times, 23 Feb 2015

### **Extract 3 The bumpy road to a 'car-lite' Singapore**

A “car-lite” Singapore by 2030 has been a major theme for the Transport Ministry this year. In January, it launched the “Walk, Cycle, Ride” campaign which encourages commuters to choose public transport over driving. In addition, the construction of infrastructure to facilitate walking, cycling and the use of personal mobility devices (PMDs) has already started to take shape. With legislation that will officially legalise the use of PMDs expected by year’s end, Singapore looks to be on track to achieving its “car-lite” status.

Some bumps, however, still remain. Strong demand for cars is evident from prohibitive car prices. Stocks of cars are running low. Convincing people to give up owning a car in exchange for the alternatives is increasingly difficult. Indeed, changing the belief that car ownership is a mark of success needs to take place before Singapore can realise its goal.

Source: Channel NewsAsia, 18 Jun 2016

### **Extract 4 Enabling trade: Transport infrastructure in Singapore**

Transport infrastructure development, particularly links with the rest of the world, has been of particular significance for Singapore. Because of its small size and lack of natural resources, the island republic is critically dependent on trade and capital and labour flows for its continued prosperity. Transport infrastructure is vital to Singapore’s economic progress.

Almost as significant as Singapore’s reliance on trade is its reliance on foreign capital and labour. In this respect, transport infrastructure has made important contributions. In order to attract and retain mobile capital and labour, Singapore has invested heavily in infrastructure along with other public services and housing while maintaining political and social stability.

In particular, the rail infrastructure has contributed significantly to the development of the financial and business sectors in Singapore. A good land transportation network has been integral to improving the accessibility of the Central Business District, allowing it to support a large workforce and to attract high value-added investments.

Investing in transportation saves workers and businesses time and money in the long run.

Source: Southeast Asian Economic Outlook, 2010

### **Extract 5 Key challenges for Singapore**

Key challenges confront Singapore in the next 50 years - balancing financial prudence with higher social spending, a rapidly ageing population that does not replace itself and competition from abroad.

The sobering reality is that the Government has in recent years been spending more than it collects. Singapore is one of the fastest greying populations in the world. Besides raising healthcare costs, an ageing population will affect the country's economic vibrancy and tax base, and result in fewer young people available for a defence force.

Abroad, Singapore faces both regional and global competition. Whether it is Kuala Lumpur and Hong Kong vying to be the next top financial hub, Thailand trying to overtake Singapore

as the region's largest air hub, or countries like Indonesia and Malaysia moving up the petrochemical value chain, Singapore cannot afford to take its position in the world for granted.

Amid these challenges, there are also opportunities for Singapore. Singapore is well-positioned to be the financial centre for the region. As a small and nimble economy, Singapore is also well-placed to take advantage of opportunities offered by China and India. Moreover, Singapore's continued emphasis on education means a people who can think on their feet, which will be a crucial skill in a more unpredictable world.

Source: The Straits Times, 29 March 2016

### Questions

- (a) Using Table 1, compare the relative changes in the public transport ridership of bus, MRT and taxi for the period shown. [2]
- (b) With the help of a supply and demand diagram, explain the likely impact of increasing population and lower energy costs on the market for public transport. [6]
- (c) (i) Using Extract 1, calculate the price elasticity of demand for bus travel from 2014 to 2015. [2]  
(ii) Explain the likely impact of a fall in bus fares on bus operators' total revenue. [3]
- (d) With reference to Extract 3, explain why car prices may remain prohibitive. [3]
- (e) Comment on the use of subsidies as a means to keep public transport affordable in Singapore. [6]
- (f) Discuss the view that developing transport infrastructure is vital to Singapore's regional and global competitiveness. [8]

[Total: 30]

## Question 2 Challenges and Promises of Globalisation

### Extract 6 The purpose of EU

The original objectives of the European Economic Community were the development of a common market, subsequently becoming a single market, and a customs union between its member states. The single market involves the free circulation of goods, capital, people, and services within the EU, and the customs union involves the application of a common external tariff on all goods entering the market. Once goods have been admitted into the market they cannot be subjected to customs duties, discriminatory taxes or import quotas, as they travel internally. Free movement of capital is intended to permit movement of investments such as property purchases and buying of shares between countries. The free movement of people means that EU citizens can move freely between member states to live, work, study or retire in another country.

Source: *Europa Web Portal*, retrieved 27 June 2007

### Extract 7 Brexit and its impact

The people of Britain voted for a British exit, or Brexit, from the EU in a historic referendum on Thursday 23 June 2016. The outcome has prompted jubilant celebrations among Euro sceptics around Europe and sent shockwaves through the global economy. The Brexit victory sent economic shockwaves through global markets and UK stocks had their worst drop since the 2008 financial crisis. Emergency steps are now being taken to calm the economic turmoil after the pound fell to its lowest level since 1985 against a loss of international competitiveness in recent years. Britain has lost its top AAA credit rating. There is ongoing uncertainty over what will happen when Britain leaves the EU because it has to make new trade agreements with the rest of the world. Europhiles worry that foreign companies will be less likely to invest here and could relocate as seen in recent years. Neil Woodford, head of investment at Woodford Investment Management, said: "The reality is very different in my view. I don't think there's going to be a recession in the UK." He has also said the Brexit vote is good news for exporters who have struggled with the high value of the pound.

Adapted from *Express*, Alice Foster, 22 July 2016

**Figure 2: British Pound Exchange Rates**



Source: [www.x-rates.com](http://www.x-rates.com), 31 July 2016

## **Extract 8 Pattern of trade between US and China since China's accession to WTO**

An examination of trade data from 2000 to 2011 demonstrates the following patterns in US-China trade that have taken place in the decade since China's accession to the WTO:

1. US exports to China have more than quintupled in value but are dwarfed by the surge of Chinese imports into the US, resulting in a steadily growing bilateral trade deficit;
2. A dramatic rise in the levels of non-manufactured goods (particularly agricultural products, raw materials, and mined natural resource products) exported by US producers to China, to the extent that there is now a US trade surplus with China in non-manufactured goods;
3. A dramatic rise in imports of Chinese-made manufactured goods into the US, and a significant decrease in US exports of manufactured goods to China as a share of total exports; Most of the computers and electronic products exported from China to the US are still relatively low-tech items, such as notebook computers, telephones, televisions and video games.
4. A steady move up the value chain for Chinese imports into the US— most noticeably in computers and consumer electronics. However, in this latter category China often serves as an assembly and export platform for multinational corporations of components manufactured elsewhere in world, a fact that may not be clearly reflected in trade statistics.

Source: *US -China Economic and Security Review Commission Staff Research Report*,  
November 2012

## **Extract 9 US hikes duties on Chinese steel to more than 500%**

A trade spat between the US and China boiled over on Wednesday, with Beijing demanding the removal of a new 500% duty on some of its steel products, which is used to make appliances, cars and electric motors in US. Trade tensions between the US and China have risen considerably this year -- especially over steel. Last month, US Steel accused dozens of Chinese producers of breaking trade rules, and asked the US International Trade Commission to investigate. China produces half of the world's steel, more than the US, European Union, Russia and Japan combined. Other countries affected by China's export of steel has even resorted to international pressure on clamping down the steel mills mostly based in Tangshan through claims of extreme pollution readings and inhumane living conditions for labour. But as the country's massive economy slows, internal demand for steel is dropping. Beijing now stands accused of dumping its unwanted metal on other markets, forcing rivals to close their plants and killing thousands of jobs, especially in the US, leaving many Americans jobless with no relevant skills suitable for other industries.

Source: *CNN Money Internationals*, 18 May 2016

## Extract 10 Singaporean workers and firms face challenges from globalisation

Globalisation and technological advances are disrupting industries and displacing workers, and these are challenges that Singapore workers and companies will have to face, said Prime Minister Lee Mr Lee said that Singapore also faces competition from both developing and developed economies. "Every economy is going to be disrupted and especially Singapore, a small country with the most open economy in the world. We depend heavily on foreign investments, we depend heavily on trade," said Mr Lee. Mr Lee warned that Singapore will have to be prepared for a slowdown and possibly even a downturn. While the country is gearing up for such challenges, Mr Lee said it will take time for new jobs to be created and for new skills to be learned, and that it is not always easy for workers, especially older ones, to change jobs and industries.

Mr Lee said that the state still has a role to play in preparing the country to face future challenges. Besides creating the basic conditions for the markets to operate properly, Mr Lee said that the state should also aim to "mitigate the excesses and negative effects of a market system" and give Singaporeans better protection in a less stable economic environment. To this end, the Government has rolled out the Progressive Wage Model to help upgrade the skills and wages of low-income workers like security guards and cleaners, and other initiatives like Medishield Life and Silver Support are also in the works.

Source: *Channel News Asia*, 26 Oct 2015

### Questions

- (a) (i) From Figure 2, describe the trend observed of the British pound from August 2015 till July 2016. [2]
- (ii) Using demand and supply analysis and with reference to extract 7, explain your observation. [4]
- (iii) How far do you agree that the Brexit vote is good news for British exporters as mentioned in extract 7? [3]
- (b) Using the concept of opportunity cost, account for the patterns of trade as seen in extract 8 between US and China. [6]
- (c) (i) Explain how the use of tariff on steel from China will resolve the unemployment issues in the US. [4]
- (ii) Explain briefly the possible unintended consequences on related industries in the US as a result of the tariff on steel from China. [3]
- (d) The complexity of economic relationships that can occur as globalisation gathers pace can be clearly seen in the extracts – in this case between the US and China, Britain and the EU. Discuss whether Singapore should follow the footsteps of Britain and the US in order to manage the challenges from [8] globalization.

[Total: 30]

## Section B

Answer **one** question from this section.

- 3** The fashion industry is a large polluter. Pesticides used in cotton farming, the toxic dyes used in manufacturing and the great amount of discarded clothing waste create tremendous carbon footprint.
- (a) Explain why production of clothing causes the market to fail. [10]
- (b) Discuss the view that tradable permits represent the best option for a government to tackle the above market failure. [15]
- 4** Most economists agree that there are clearly some benefits of economic growth which are most visible for low income countries. However, the challenge is to harness the potential of economic growth to make sure it really does increase sustainable living standards.
- (a) Explain the possible causes of an increase in the average standard of living in a country. [10]
- (b) Assess whether growth should be the main macroeconomic objective of a government. [15]

- End of Paper -



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**COVER SHEET**

**H1 ECONOMICS**

**Section A: Case Study Question 1**

Name: \_\_\_\_\_

Civics Group: \_\_\_\_\_

Register Number: \_\_\_\_\_

Tutor: \_\_\_\_\_

**15 September 2016**

**READ THESE INSTRUCTIONS FIRST**

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)	(i)	
	(ii)	
(d)		
(e)		
(f)		
<b>TOTAL</b>		<b>/30</b>



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**COVER SHEET**

**H1 ECONOMICS**

**Section A: Case Study Question 2**

Name: \_\_\_\_\_

Civics Group: \_\_\_\_\_

Register Number: \_\_\_\_\_

Tutor: \_\_\_\_\_

**15 September 2016**

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QUESTIONS ATTEMPTED		MARKS
(a)	(i)	
	(ii)	
	(iii)	
(b)		
(c)	(i)	
	(ii)	
(d)		
TOTAL		/30



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**COVER SHEET**

**H1 ECONOMICS**

**Section B: Essay Question**

Name: \_\_\_\_\_

Civics Group: \_\_\_\_\_

Register Number: \_\_\_\_\_

Tutor: \_\_\_\_\_

**15 September 2016**

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**Please indicate the question number you have attempted.**

QUESTION ATTEMPTED		MARKS
Question _____	(a)	
	(b)	
Total		/25