



ECONOMICS

9757/02

Paper 2: Essay Questions

13 September 2017

2 hours 15 minutes

Additional Materials: Answer Paper, Cover Page

READ THESE INSTRUCTIONS FIRST

Do not turn this page over until you are told to do so.

Write your centre number, index number, name and CG on all the work you hand in.

Write in dark blue or black pen on both sides of the paper.

You may use an HB pencil for any diagrams or graphs.

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

Answer **three** questions in total, of which **one** must be from Section A, **one** from Section B and **one** from **either** Section A or Section B.

Begin each essay on a separate sheet of answer paper.

At the end of the examination, fasten all your work securely together with the cover page.

Write the number of the questions attempted on the cover page.

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

This document consists of **3** printed pages and **1** blank page.

Answer **three** questions in total.

Section A

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

- 1** Malaysia will begin imposing its tourism tax from Aug 1 this year, according to details published on the Royal Malaysian Customs Department's website. Rates start from RM2.50 per room each night at a non-rated accommodation to RM20 per room each night at a five-star accommodation.

Source: Channelnewsasia.com, 2017

- (a) Explain how the imposition of the tax might affect consumers' expenditure and producers' revenue for different types of hotels in Malaysia. [10]
- (b) Discuss the factors the Malaysian government might have considered before deciding to impose the tourism tax. [15]

- 2** The operator of the upcoming Thomson-East Coast Line (TEL) will be the first to run a rail service under a contract similar to the model recently introduced for buses. The successful bidder will operate the new line for a fixed sum over a fixed period, while the Government collects fare revenue, the Land Transport Authority (LTA) said yesterday. This move aims to increase the contestability of the public transport market.

Adapted from: *The Straits Times*, 2016

Discuss whether making markets more contestable is the best approach to reduce the adverse effects of market dominance in the provision of bus and rail services in Singapore. [25]

- 3** MediShield Life, a basic health insurance scheme, covers all Singapore Citizens and Permanent Residents, even those with pre-existing conditions. Health insurance is insurance that covers the whole or a part of the risk of a person incurring medical expenses, spreading the risk over a large number of persons. Compulsory enrolment addresses the issue of adverse selection while features such as maximum claim limit, deductible and co-payment limit the extent of moral hazard.
- (a) Explain how adverse selection and moral hazard can lead to market failure in the market for health insurance. [10]
- (b) Assess the extent to which adverse selection and moral hazard, rather than any other potential market failure, is the major cause of government intervention in the market for health insurance in Singapore. [15]

Section B

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

- 4** The Federal Reserve raised interest rates on Wednesday, ending an extraordinary period of seven years of government intervention in the financial markets that started at the height of the recession. However, some have expressed concern about the move, urging the Fed to “avoid making a mistake” by raising interest rates.

Adapted from: *The Guardian*, 16 December 2015

Discuss the factors that the Federal Reserve could have considered when deciding to raise interest rates. [25]

- 5** China’s economic rise, in which GDP grew on average 10 per cent each year for more than a decade, has come at the expense of its environment and public health. Environmental degradation also poses a serious threat to China’s economic growth, costing the country roughly 3 to 10 per cent of its gross national income, according to various estimates.

(a) Explain the likely consequences of rapid economic growth. [10]

(b) Assess the possible options available to a government in attaining sustainable economic growth. [15]

- 6** “The Trans-Pacific Partnership (TPP) embodies what Singapore sees as the future of the Asia-Pacific. It will transform the region by reducing tariff and non-tariff barriers substantially for both goods and services, encouraging greater investment, and addressing new trade challenges in the modern economy.”

Minister Lim Hng Kiang, Minister for Trade

Source: Ministry of Trade and Industry, 06 Oct 2015

(a) Explain the determinants of Singapore’s pattern of trade. [10]

(b) Assess the extent to which smaller economies like Singapore would benefit more from the TPP than larger ones like the USA. [15]

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