

Compilation of Essays by Questions 2007 – 2014

Central Economics Problems/Resource Allocation/Market Failure

TYS N2014

There is considerable agreement over the need for governments to provide public goods. There is less agreement over the extent to which markets fail because of imperfect information.

- (a) Explain why markets may fail in the case of public goods and where information is imperfect. [10]
- (b) Evaluate the alternative policies that are adopted by the Singapore government to correct for both of these types of market failure. [15]

TYS N2013

Economics assumes rational decision-making by consumers, firms and government.

- (a) Explain what is involved in rational decision-making both by consumers and by firms. [10]
- (b) Discuss whether rational decision-making by consumers, firms and government always leads to an efficient allocation of resources. [15]

TYS N2012

University education in Singapore throughout the rest of the world is subsidized by national governments rather than left to market forces. During 2010, several governments announced that these subsidies would be cut, stating the need to reduce large fiscal budget deficits as the reason.

Explain why countries subsidize university education and discuss whether reductions in subsidies are justified. [25]

TYS N2011

Consumers and producers are generally assumed by economists to be motivated by self-interest.

- (a) Explain how, according to economists, the pursuit of self-interest can help to address the problem of limited resources and unlimited wants. [10]
- (b) Assess whether the price mechanism will always allocate scarce resources in the most efficient manner for all goods and services in a market economy. [15]

TYS N2010

- (a) Explain why government intervention is advocated in the markets both for public goods and for goods where externalities are present. [12]
- (b) In the UK, entry to national museums and art galleries is free of charge and tickets to see the opera are heavily subsidized. In contrast, in Japan, entry to museums and art galleries comes at a high price and a ticket to see opera is among the most expensive in the world.
Assess the economic case for these two different approaches. [13]

TYS N2009

Governments around the world protect consumers against market failure due to market dominance.

- (a) Analyse, with supporting examples, how market dominance might lead to market failure. [10]
- (b) Assess the extent to which market dominance, rather than any other potential market failure, is the major cause of government intervention in the markets for goods and services within Singapore. [15]

TYS N2008

- (a) Explain why imperfect information and immobility of factors of production may lead to market failure. [10]
- (b) Evaluate policies currently used by the Singapore government to correct these causes of market failure. [15]

TYS N2007

With reference to examples, discuss whether there is a need to change the current policies adopted by the Singapore government to deal with market failure caused by externalities. [25]

Demand and Supply & Concepts of Elasticity

TYS N2014

In 2012 the UK had very poor harvests for grain and potatoes, which are major ingredients of many of the foods of UK consumers and also provide feed for much of Britain's livestock. At the same time there was a decline in the real incomes of many UK citizens, especially those on low incomes.

Using economic analysis, discuss the impact these events are likely to have had on UK consumers and farmers. [25]

TYS N2013

The Urban Redevelopment Authority (URA) announced that prices of private residential properties in Singapore rose by 1.3% in the third quarter of 2011, but the rise in the prices has been slowing for eight consecutive quarters. At the same time it reported that the total supply of new private residential properties nearing completion was at a record high.

Source: <http://www.ura.gov.sg/pr/text/2011/pr11-135.html>, accessed 28 October 2011

Discuss the different supply and demand factors and their likely importance in determining the reported changes in the prices of private residential properties in Singapore. [25]

TYS N2012

Most brands of cars are available in different models. A large rise in the cost of car manufacture and a rise in incomes are likely to affect the sales of various models of car in different ways.

(a) Explain how elasticities of demand can assist in understanding the effect of each of these changes on the sales volume of different models of car. [12]

(b) Compare and contrast the likely combined impact of both these changes on the revenue earned from the sales of different models of car. [13]

TYS N2011

Singapore is facing an ageing population issue. By 2030 senior citizens are expected to comprise almost 20% of the population.

Using economic analysis, discuss the likely effects of this demographic change on product markets in Singapore. [25]

TYS N2010

The price of sugar, an ingredient in many canned soft drinks, dropped dramatically by 32% between July 2006 and October 2008. Healthy living campaigns meant consumers became more aware of the possible health dangers of consuming too much sugar and they switched to 'diet' drinks that do not contain sugar.

Discuss how the combination of the fall in the price of sugar and the healthy living campaigns might affect expenditure by consumers on non-diet and diet canned soft drinks. [25]

TYS N2009

There have been large changes in the price of crude oil over the past few years.

Discuss what determines whether consumers or producers are more likely to bear the cost of these oil price changes. [25]

TYS N2008

Developments in modern technology, such as faster broadband internet connections, portable DVD players, iPods and MP3 players, have had major impacts on the demand for and supply of recorded music and associated products.

Assess how the markets involved might be affected by these developments. [25]

TYS N2007

In 2005 the rate of Goods and Services Tax (GST) in Singapore rose from 3% to 5%. Incomes rose by approximately 4.5% in 2005.

(a) Explain the likely impact of this change in GST on expenditure by consumers on different types of goods. [10]

(b) Discuss whether the combined effect of the rise in incomes and the rise in GST is likely to cause the quantities of different types of goods sold to rise or fall. [15]

Costs of Production and Market Structures

TYS N2013

'Recessions put weak firms out of business whilst strong firms use a recession to become more efficient'.

- (a) Explain the relevance of different types of cost in the decision of a firm to close when faced by a fall in the demand for its product. [10]
- (b) Discuss the extent to which firms faced by high levels of competition are more vulnerable to closure in recession than firms in less competitive industries. [15]

TYS N2012

Internet or on-line shopping has grown rapidly in recent years. Low barriers to entry have allowed a wide range of small specialised retail firms to market their products on the internet. At the same time economies of scale have led to small number of large internet retail companies dominating the market for other products.

- (a) Explain the existence of these two different types of online retailers and which market structure best explains the market behaviour of each of them. [10]
- (b) Increased specialisation and low barriers to entry have an impact on consumers and existing producers. Discuss how far the traditional analysis of these economic effects applies to the growth of online shopping. [15]

TYS N2011

- (a) Explain how the different features of monopolistic competition and oligopoly affect the price and output determination in these market structures. [10]
- (b) Recession will affect firms in different ways depending, for example, on what they produce and the market structure in which they operate. Discuss the likely effects of a recession on different firms. [15]

TYS N2010

Retailers in Singapore supply a wide range of services and products in a variety of market structures.

- (a) Explain the key differences between oligopolistic competition and monopolistic competition. [10]
- (b) Consider different retailers in Singapore and discuss which of these two market structures best explain their market behavior. [15]

TYS N2009

A very popular band is due to play one concert at a 5000 capacity venue. The plan is to charge different prices according to the area in which the seat is located.

- (a) Explain whether this pricing policy could be considered to be an example of price discrimination. [10]
- (b) Discuss the problems that are likely to be faced in determining the prices to be charged for the seats. [15]

TYS N2008

Firms' pricing and output decisions depend on barriers to entry and behaviour of competitors.

- (a) Explain why barriers to entry are a key determinant of a firm's pricing behaviour. [10]
- (b) Discuss the extent to which the behaviour of firms depends in reality on the actions of their competitors. [15]

TYS N2007

- (a) Explain how, in economic theory, a monopolist would determine the price that would maximise the profits. [8]
- (b) Discuss whether firms in the real world set prices at profit-maximising levels. [17]

Circular Flow of Income/SOL/Indicators

TYS N2014

In 2011, Singapore's GDP at 2005 prices grew by 4.9%, the total population grew by 2.5%, inflation (as measured by the consumer price index) was 5.2% and overall unemployment stood at 1.9%.

Source: <http://www.singstat.gov.sg/stats/latestdata.html>, accessed 30 January 2013

Discuss the limitations of these statistics in both assessing the change in the standard of living in the Singapore economy in 2011 and comparing it with that of other economies. [25]

TYS N2014

	\$ billion
Private Consumption Expenditure	129
Gross Fixed Capital Formation	77
Government Consumption Expenditure	34
Exports of goods and services	531
Import of goods and services	444
GDP	327

- (a) Economies consist of several key sectors such as households, firm, government and the rest of the world. Explain the relative importance of these key sectors of the circular flow of income in determining the national income in Singapore. [10]
- (b) Discuss the likely effects on Singapore's national income and its components when its exchange rate appreciates. [15]

TYS N2012

- (a) How do economists compare the economic performance of different countries? [10]
- (b) Assess the extent to which Singapore's economic performance is the main determinant of its population's standard of living. [15]

TYS N2011

'The Singapore economy is open to the world, in trade and investment. This is both a matter of policy and necessity because of our size and limited resources. In 2008, our trade to GDP ratio was 360%, the highest in the world.' (Ministry of Trade and Industry, Singapore, 2009)

Discuss whether the openness of the economy is beneficial or harmful to the standard of living in Singapore. [25]

TYS N2009

The relative importance of the components of the circular flow of income for a small and open economy, such as Singapore, is likely to be different from a large and less open economy, such as the USA.

- (a) Explain this statement. [10]
- (b) Assess whether a change in the external value of its currency is more likely to have a larger impact on Singapore or USA. [15]

TYS N2009

Economic measures of the Singapore economy for 2007 indicate that GDP was S\$243 billion. The current account on the balance of payments was S\$59 billion in surplus.

- (a) Explain how you might use GDP and balance of payments data to measure the performance of an economy. [12]
- (b) Assess whether these economic indicators are the best measures of economic performance and standard of living in Singapore. [13]

Macroeconomic Policies/Impacts

TYS N2014

Since the economic crisis of 2008, rates of economic growth across the world have differed considerably.

- (a) Explain the key determinants of actual and potential economic growth. [10]
- (b) Assess the alternative economic policies that the Singapore government could adopt to maintain a sustained rate of economic growth into the future. [15]

TYS N2013

On 1 Sep 2011 the Monetary Authority of Singapore (MAS) reported that inflationary pressures remained strong because of the tight domestic labour market, high consumer spending and rising commodity prices.

- (a) Explain how factors mentioned above will lead to inflationary pressures remaining strong in Singapore. [10]
- (b) Discuss alternative economic policies that the Singapore government might consider adopting to alleviate these inflationary pressures. [15]

TYS N2012

During 2009 the Bank of England engaged in what is known as 'quantitative easing' by pumping more than £200 billion into the economy. Record low levels of interest rates have also been maintained within the UK economy. Quantitative easing and low interest rates were also adopted by the US.

- (a) Explain why exchange rates rather than interest rates are the preferred choice as the instrument of monetary policy in Singapore. [10]
- (b) Discuss the likely impact on the Singapore economy of quantitative easing and low interest rates in the US and the UK. [15]

TYS N2011

In the study of macroeconomics, investment can take many forms including foreign direct investment, fixed capital investment and investment in human capital.

- (a) Explain what is meant by these different types of investment. [10]
- (b) Discuss how far supply-side policies can be used to stimulate these different types of investment. [15]

TYS N2011

- (a) Explain the process whereby an increase in government expenditure can lead to a bigger change in national income. [10]
- (b) Discuss the extent to which conflicts in government macroeconomic objectives limit the scope for the use of fiscal policy in any economy. [15]

TYS N2010

The recent worldwide recession caused many governments to re-assess their use of fiscal policy in order to stimulate their stagnating economies.

- (a) Explain what would reduce the effectiveness of fiscal policy as a stimulus to the Singapore economy. [10]
- (b) Assess alternative policies that might be more appropriate in managing the Singapore economy when faced with a worldwide recession. [15]

TYS N2010

When there are large increase in the prices of oil and other primary products, they are usually expected to lead to rising inflation throughout the world's economies.

Discuss the extent to which these factors are likely to affect the rate of inflation in Singapore. [25]

TYS N2008

Discuss the most appropriate policies that a government could adopt to encourage both actual and potential growth. [25]

TYS 2008

Discuss the relative significance of the multiplier, the price elasticities of demand for imports and exports, and crowding-out in influencing macroeconomic policy decisions. [25]

TYS N2007

- (a) "To be considered successful, an economy needs to achieve low unemployment, low inflation and stable economic growth." Explain this statement. [12]
(b) Discuss whether fiscal policy is the most effective way for Singapore to sustain a successful economy. [13]

TYS N2007

- (a) Explain the potential causes of balance of payments deficit on current account. [10]
(b) Discuss which measures, if any, a government should adopt when confronted with a current account deficit. [15]

Trade-offs/Goals

TYS N2013

Government have aims in relation to unemployment, economic growth and the balance of payments.

- (a) Explain the consequences of failing to achieve these aims. [10]
(b) Discuss whether failure to achieve these macroeconomic aims is more likely to be caused by domestic or international factors. [15]

TYS N2012

Governments generally face trade-offs between different macroeconomic policy objectives.

Discuss how far a government's macroeconomic policy decisions when faced with these trade-offs are affected by the extent to which the economy is open. [25]

International Economy

TYS N2014 *(Note: This is Q1 in Section A of the Essay Paper)*

In order for specialisation to be beneficial, it must be accompanied by exchange.

- (a) Explain how benefits to the economy can arise from specialisation and exchange. [10]
(b) Very often these benefits are not fully achieved in domestic and international markets. Discuss the reasons for this. [15]

TYS N2013

On 14 October 2011 Premier Wen Jiabao of China called for joint international efforts to combat rising trade protectionism, which he said was damaging the world economy amid on-going global economic turbulence.
Source: China Daily, 15 October 2011

Discuss whether the use of protectionist policies can ever be justified during a period of worldwide economic recession or whether governments should follow Premier Wen's advice and adopt a policy of greater free trade. [25]

TYS N2010

There is a general consensus among economies that protectionism is a bad thing.

- (a) Explain why protectionism exists. [8]
(b) Assess the extent to which the Singapore government's approach to international trade may need to be adjusted in response to a growth in worldwide protectionism. [17]

TYS N2009

An economist stated 'The trend towards globalization leaves no room for protectionism.'

- (a) Account for the trend towards globalization. [10]
(b) Discuss whether you agree with the economist's view. [15]

TYS N2008

- (a) Explain the determinants of the pattern of trade between Singapore and the rest of the world. [10]
(b) Discuss whether the Singapore government should change its policies for managing the balance of payments. [15]

TYS N2007

Discuss whether Singapore is among the economies that have most to gain from globalisation. [25]