



**CATHOLIC JUNIOR COLLEGE**  
**JC2 PRELIMINARY EXAMINATIONS**  
In preparation for  
**General Certificate of Education Advanced Level**  
**Higher 2**

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**ECONOMICS**

**9732/02**

Paper 2

**3 Sep 2013**

**0800 - 1015**

Additional Materials : Writing Paper

**2 hours 15 min**

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**READ THESE INSTRUCTIONS FIRST**

Write your name, class and question number 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.

**Begin each question on a new sheet of paper.**

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.

At the end of the examination, **hand in ALL questions separately.**

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

**Answer THREE questions in total.**

**Section A**

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

- 1** “The root cause of market failure is far more often lack of information than externalities, and this is where government should direct their efforts to improve the efficient working of the economy.”
- (a) Explain the two types of market failure described in the preamble. [10]
- (b) Discuss if legislation is the best way for government intervention in the above situations of market failure. [15]
- 2** There were 101,000 millionaires in Singapore by the end of 2012, a jump of 10.3 per cent over 2011 and their total income is estimated to have hit US\$489 billion, up 11.5 per cent on the 2011 level. Measures are announced to reduce the inflow of foreign workers, and help our businesses adapt to the permanent reality of a tight labour market.  
Source: Adapted from Straits Times, 2012
- Using economic analysis, discuss the likely impacts of abovementioned changes on various product markets in Singapore. [25]

- 3** (a) Explain how the size of firms affects the price and output decisions of various firms. [10]
- (b) Discuss the extent to which large firms in an industry impede economic efficiency. [15]

**Section B**

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

- 4** (a) Explain the extent to which an increase in net exports will lead to a larger increase in real GDP. [10]
- (b) The pursuit of higher levels of real GDP per capita leads to higher standard of living. Discuss. [15]
- 5** The plan is for the Bank of Japan to print more money and to splurge on public works projects to reboot Japan’s recessionary economy.
- (a) Explain how the above approaches will help to reboot the Japanese economy. [10]
- (b) To what extent can Singapore adopt the above approaches to solve a recession. [15]
- 6** There is substantial evidence, from countries of different sizes and different regions, that as countries “globalise” their citizens benefit. (IMF May 2008)
- Explain how globalisation has changed Singapore’s pattern of trade and assess whether such changes have benefitted the Singapore economy. [25]

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**Qn 1 “The root cause of market failure is far more often lack of information than externalities, and this is where government should direct their efforts to improve the efficient working of the economy.”**

- a) Explain the two types of market failure described in the preamble. (10m)
- b) Discuss if legislation is the best way for government intervention in the above situations of market failure. (15m)

Part a

Approach	This is a straightforward question that requires candidates to explain two specific causes of market failure, i.e. externalities and lack of information. Good candidates need to be able to show explicitly why imperfect information and externalities can lead to the market being unable to allocate resources efficiently.
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Outline of essay:	
Introduction	Define market failure, Essay overview: State with reasons why lack of information and externalities lead to market failure.
Paragraph 1	Show explicitly externalities can lead to market failure → via external costs/benefits leading to divergence between MPC/MPB and MSC/MSB, resulting in deadweight loss and over/under consumption/production in the society.
Paragraph 2	Show explicitly how lack of information can lead to market failure. → society is not aware of the external costs/benefits of certain goods resulting in over/under production/consumption.
Paragraph 3	Show explicitly how lack of information can lead to market failure. → consumers are not fully aware of the private cost/benefits of merit/demerit goods resulting in under/over consumption.
Conclusion	Summary of points.
Remarks	For imperfect information, can use the idea of true MPC versus perceived MPC

Level	Descriptors	Marks
L3	Clear and well developed economic analysis. Able to show clearly how market failure is caused by lack of information and by externalities. Good use of relevant examples. Clear structure.	7 -10
L2	Some economic analysis. Able to show how market failure is caused by lack of information and by externalities, but lacking clarity. Some use of examples. Some structure.	5-6
L1	Poor economic analysis. Shows the concept of market failure, but unable to link to lack of information and/or externalities. Poor use of example. No real structure.	1-4

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Part b

- a) **Discuss if legislation is the best way for government intervention in the above situations of market failure. (15m)**

Approach	<p>This question tests how well candidates are able to explain and discuss the effectiveness of government intervention efforts through legislation in situations of market failure due to the lack of information and externalities, either positive or negative.</p> <p>Because this is a 'discuss' type question, candidates will need to use the TAS approach.</p>
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Outline of essay:	
Introduction	<p>Link to part a</p> <p>Explain briefly why governments intervene in such situations</p> <p>Essay overview</p>
Paragraph 1,2	Show explicitly how legislation by the Singapore government is able to correct market failure associated with lack of information. Evaluate policy.
Paragraph 3,4	Show explicitly how legislation by the Singapore government is able to correct market failure associated with externalities. Evaluate policy.
Paragraph 5	Give a possible alternative policy to deal with the market failure associated with both the above causes.
Conclusion	Summary of points, final evaluation and stand

Level	Descriptors	Marks
L3	Clear and well developed economic analysis. Able to show clearly how legislation can help solve market failure in context of lack of information and externalities Good use of relevant examples. Clear structure.	9 -11
L2	Some economic analysis. Able to show clearly how legislation can help solve relevant market failure, but lacking clarity and/or consistent reference to context. Some use of examples. Some structure.	6-8
L1	Poor economic analysis. Unclear of link of legislation to solve market failures in context, and/or unable to show how policies can solve market failure in context. Poor use of example. No real structure.	1-5
E2	Evaluation with good indepth economic justification	3-4
E1	Evaluation without proper economic justification	1-2

**Qn 2. There were 101,000 millionaires in Singapore by the end of 2012, a jump of 10.3 per cent over 2011 and their total wealth is estimated to have hit US\$489 billion, up 11.5 per cent on the 2011 level. Measures are announced to reduce the inflow of foreign workers, and help our businesses adapt to the permanent reality of a tight labour market.**

**Source: Adapted from Straits Times, 2012**

**Using economic analysis, discuss the likely impacts of abovementioned changes on various product markets in Singapore**

**[25]**

**Command:** Discuss the likely impacts on different products that millionaires would or would not purchase. The discussion revolves around the growth in income of high net worth individuals and government policy to curb foreign labour dependence in Singapore.

**Content:** Demand and Supply, PED, YED, XED, PES

**Context:** Various products sold in Singapore

**How to attempt this question:**

Firstly we need to establish:

1. How will the increase in income of millionaires affect the dd/ss of various category of products (normal vs inferior or even luxury)
2. How the reduction of foreign workers into Singapore will affect the various products (requires foreign labour input vs those who do not require foreign labour)
3. How will both changes affect a product's market
4. How the above 3 points affect the PRICE and QUANTITY of various products.

Meaningful discussion of extent of change for price and quantity for various products require the use of the various elasticity concepts.

**Quick Outline:**

- To identify and explain how increase in income of millionaires will affect the demand of various products
- To explain how reduction of foreign labour will affect the supply of various products
- To explain the magnitude of shift of the above 2 determinants on different products
- To identify the relationship of various products (eg substitutes vs compliments)
- To discuss how different markets will be affected differently ( some positive while others negatively : how to measure impacts – consumer surplus, producer surplus, price and quantity, maybe even quality?)

Level 1	Low	The answer is mostly irrelevant and contains only a few valid points made incidentally in an irrelevant context.	1-5 marks
	High	The answer shows some knowledge e.g. understanding and explanation of the various causes of demand and supply, but does not indicate that the meaning of the question has been properly grasped. Basic errors of theory and/or and inadequate development of analysis may be evident. Answers that are not answered in context to Singapore and	6-9 marks

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		no use of examples of ANY product will fall into this category	
Level 2	Low	The answer shows the ability to identify facts, some ability at graphs, fair ability to apply theory to the situations. E.g. Ability to explain various outcomes/shifts for various product markets	10-11 marks
	High	The answer has a more thorough relevance to the question but the theory is incompletely explained. Lack of use of elasticity concepts within the answer will fall into this category.	12-14 marks
Level 3	Low	A good knowledge of facts and theory of the question, clear evidence of the ability to use facts and theory with accurate reference to the question that may have presented the candidate E.g. Students are able to explain in depth the various shifts in DD and SS as well as identification of use of elasticity concepts. Candidate are also able to comment on the size/magnitude/depth of impact on the various stakeholders	15-17 marks
	High	A thorough knowledge of facts and theory with an excellent ability to describe and explain this in a precise, logical and reasoned manner. The ability to query some of the assumptions is present. Illustrations and examples appropriate to the material discussed are introduced as further evidence of the ability to recognise the principles of the question and their application to relevant current situations.	18-21 marks
Evaluation	E1	Mainly unexplained judgements	1-2 marks
	E2	Justified and well explained statements	3-4 marks

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Qn 3

- (a) Explain how the size of firms affects the price and output decisions of various firms. [10]  
 (b) Discuss the extent to which large firms in an industry impede economic efficiency. [15]

Suggested Essay Outline:

Part (a)

- The size of firms may be due to the existence of barriers to entry and exit.
  - High BTE may lead to a few large firms operating within the market while low BTE may result in numerous, small firms operating within the market.
  - Subsequently, this will affect the price and output of firms.
- Assume all firms aim to maximize profits, ie,  $MC = MR$
- Consider the case of a perfectly competitive firm, one of the numerous, small firms operating in the market.
  - The firm is a price taker as each firm only produces an insignificant amount of the industry output. Hence, this firm will set its price at the prevailing market price, as determined by market forces.
  - If a PC firm tries to manipulate prices in order to achieve a higher level of profits, say by lowering prices, the lack of barriers to entry allows entrants to come in and compete away its profits, forcing prices back to the market price.
- Consider the case of a monopoly, the sole firm operating in the industry.
  - The firm is a price setter but is constrained by the downward sloping demand curve.
  - The monopolist must lower the price of its output if it wants to sell a higher level of output.
  - On the other hand, it could raise the price of the output by restricting the output level. The reason for the ability to control price in this way is due to the existence of barriers to entry preventing entrants from competing away its profits.
- Other valid points
  - Large firms are able to enjoy internal economies of scale which can act as a barrier to entry to deter entrants.
  - Large firms with large market share can better engage in pricing policies such as price discrimination to capture more profits.

Level	Descriptors	Marks
1	Random explanation of characteristics of firms that did not address question requirements much with an obvious lack of examples and/or economic theory to support points.	1 – 4
2	Able to link size of firms to barriers to entry and exit and bring in the case of 2 possible market structures, monopoly and perfect competitive industry and address the question requirements. Answer explains how barriers to entry and exit will affect the size of firms and thereafter the price and output decisions of various firms.	5 – 6
3	A well developed answer with points that addresses the question well and is supported with sound economic analysis and the use of examples.	7 – 10

Part (b)

- Define economic efficiency as the achievement of productive, allocative and dynamic efficiency
- To select the case of either a monopoly or oligopolistic firm and explain how they can achieve the abovementioned efficiency.



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- monopolist is productive inefficient → operates on LRAC, hence productive inefficient from society's viewpoint or it is X-inefficient.
  - monopolist is allocative inefficient → operate at  $P > MC$ , hence underproduction occurs.
  - monopolist dynamically inefficient → due to absence of competition and complacency.  
However,
  - monopolist can be productive efficient → operates on LRAC, hence it is productive efficient from firm's viewpoint. It has the ability to enjoy internal economies of scale, allowing it to expand on its output and move towards the minimum efficient scale.
  - monopolist can be allocative efficient → through government regulation, ie, MC/AC pricing
  - monopolist can be dynamically efficient → due to contestable market theory, there is incentive for the monopolist to engage in R 7 D.
- Conclusion: The extent to which large firms impede economic efficiency is subject to the nature of the industry in which it operates in and the level of government intervention. An unregulated monopolist is likely to exploit consumers and less likely to be efficient compared to one that is regulated by the government.

Level	Descriptors	Marks
1	Answer superficially explains the various forms of economic efficiency without any specific reference to large firms. Did not make use of any examples to support point.	1 – 5
2	Answer is able to address question requirements and develop points with the use of economic theories/concepts. There is some use of examples but mostly randomly listed without supporting the points mentioned.	6 – 8
3	A well developed answer which is able to offer different perspectives to the issue. Made good use of examples to support points that are evidently backed with in depth economic analysis.	9 – 11
<hr/>		
Level	Evaluation	Marks
1	Made a logical stand that is not well supported.	1 – 2
2	Made a logical stand that is well supported and applicable to real world events.	3 – 4

4a) Explain the extent to which an increase in net exports will lead to a larger increase in real GDP.

4b) The pursuit of higher levels of real GDP per capita leads to higher standard of living. Discuss.

**Suggested answer**

- a) Explain the extent to which an increase in net exports will lead to a larger increase in real GDP.

**Outline**

**Intro**

- Show link between exports and AD
- Explain briefly k idea
- 

**Body**

Paragraph 1

- Explain circular flow

Paragraph 2

- Explain k process, either numerically or intuitively.

Paragraph 3

- Tie in idea of k to the withdrawal process (explain the withdrawal process)
- Explain how in the case of Singapore, MPW very high due to high MPS (CPF) and MPM (Import dependent) but in the case of USA, MPW lower (low savings rate, low import rate)

**Conclusion**

Whilst real GNP will always increase more than proportionately to the initial increase in net exports due to the multiplier, the extent of the increase will depend on the value of the multiplier.

Other possible points:

Using Accelerator principle → also accepted

L3	<b>Explained the multiplier process using the initial injection in terms of net exports and numerical/ intuition. Explained the components of the multiplier and the effect it has on the change in National Income using specific examples.</b>	<b>7-10</b>
L2	<b>Explanation of the multiplier process is acceptable. Components of the multiplier were briefly explained and how it may affect the final change in National Income, but lacking depth and clear consistent link.</b>	<b>5-6</b>
L1	<b>Brief explanation of the multiplier process and/or stating of the components of the multiplier.</b>	<b>1-4</b>

b) The pursuit of higher levels of real GDP per capita leads to higher standard of living. Discuss.

**Suggested answer**

**Outline**

**Intro**

- Define real GDP per capita and SOL
- Explain briefly the two ideas
- State purpose and overview of essay
- 

**Body**

Paragraph 1 Thesis

- Increasing real GDP per capita leads to higher standard of living
- Explain how (rising incomes lead to better access to material goods)
- Can tie also the idea that higher GDP per capital leads to greater government resources (higher taxation) means government can increase expenditure on social welfare.

Paragraph 2 Anti-Thesis

- Increasing real GDP per capita may not lead to higher standard of living
- Explain how (rising GDP may be due to greater expenditure on Military goods, which are not really improving SOL. If expenditure is on consumer goods now and less capital goods are produced, long run there could be a fall in availability of consumer goods → fall in LR SOL)

Paragraph 3 Anti Thesis

- Increasing real GDP per capita may not lead to higher standard of living
- Explain how (rising GDP may be expense of pollution, or worsening leisure. Non material well being harmed)

Paragraph 4 Anti Thesis

- Increasing Real GDP per capita may not lead to higher standard of living for everyone
- It is an average figure. If serious income inequality exist, may mean that some people are benefitting while others are not. E.g. Singapore.

**Conclusion**

While Rising GDP can help increase SOL, it depends on how it is achieved and hwo the fruits of the labour are shared out.

L3	2 sided analysis of how higher real GDP per capita will and will not lead to higher material and non-material SOL. Concrete examples were used as illustrations to support arguments. Answer is contextualized and not generic.	9-11
L2	2 sided analysis of how higher real GDP per capita will and will not lead to higher SOL. Examples were used but not explained in detail. Answer is mostly generic without contextualization.	6-8
L1	1 sided answer that only explains how higher real GDP per capita will or will not lead to higher SOL. Points were stated instead of explained.	1-5
E2	Justified stand	3-4
E1	Unjustified stand	1-2

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**5. The plan is for the Bank of Japan to print more money and a splurge in public works projects to reboot Japan's recessionary economy.**

**a) Explain how the above approaches will help to reboot the Japanese economy.[10]**

**b) To what extent can Singapore adopt the above approaches to solve a recession [15]**

**a) Explain how the above approaches will help to reboot the Japanese economy.[10]**

**Approach:**

- **Step 1: Identify the problems in Japan economy**
- **Step 2: Identify the policies in the preamble**
- **Step 3: Explain how the policies in the question help to solve the problem/achieve specific aims**
- **\* Use of diagram is expected for a well-developed answer**

**Answer Outline:**

**Introduction:**

- Identify that Japan is facing a recession
- Define Recession, possible reasons → demand deficient, or slumpflation
- Effects of recession in brief
- Plan/direction for the essay

**Body:**

- Identify printing of money as an expansionary monetary policy
- Explain how the policy works to boost domestic consumption and investment
- Explain how the policy works to increase AD and increase real income
- Identify splurge in public works as an expansionary fiscal policy (those who identify it as fiscal policy with supply side slant will also be credited)
- Explain how the policy works to boost the AD and increase real income
- Explain how the two policies, thus, help to reboot the Japan economy

**Conclusion**

- Summarize and set a tone of the possible potential of the policies to lead to sustained economic growth in the future
- Briefly explain that the policies not only lead to rise in real income but also fulfils other macroeconomic aims too (may be in terms of lowering unemployment)

<b>Levels</b>	<b>Descriptors</b>	<b>Marks</b>
L3	A very well developed answer that adequately addresses the requirements of the question in terms of the approach(identify the problem and then explain how the policies solve them). The answer also displays good elaboration of the with respect to both the policies in the question and is substantiated with consistent use/link of example/context of Japan. Appropriate use of diagram to enhance the quality of explanation is expected.	7-10
L2	Answer attempts to elaborate the content in terms of the two policies but is not supported well with the use of the context of Japan consistently <b>OR</b> Answer that only explains one of the policies very well and links it adequately to the context of the question while the other policy is explained superficially. Use of Diagram is expected.	5-6
L1	Identification of the macro problem in the context of Japan is weak and so the policies are not developed to address the problem and the answer contains conceptual errors. Overall, the answer does not address the question adequately <b>OR</b>	1-4

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	Random explanation of macro policies and problems with superficial description of how the policies work and the answer contains conceptual errors <b>OR</b> Only one policy explained adequately while the other policy contains conceptual errors in explanation (or the other policy not explained at all)	
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**Note: the stretch of the answer in explaining the effect of expansionary monetary policy is not a requirement. But students, who only state depreciation of currency without identifying the monetary policy as an internal tool of AD, will not be awarded good levels of marks. “Printing more money leads to depreciation of currency” will be treated as a superficial development of content and will be awarded low levels of marks.**

**Part b) To what extent can Singapore adopt the above approaches to solve a recession [15]**

**Approach:**

- **Step 1: Identify the nature of Singapore economy, how is it different from Japan**
- **Step 2: Most likely cause/es of Recession in Singapore**
- **Step 3: Use of expansionary Fiscal Policy in the context of Singapore Recession**
- **Step 4: Limitation of expansionary Fiscal Policy in the context of Singapore**
- **Step 5: Possible use of expansionary monetary policy- printing money in the context of Singapore recession (Why can't it be used? What is the difference between Japan and Singapore lead to this problem?)**
- **Step 6: Other possible policies that Singapore can use to correct recession**

**Introduction:**

- Explain the nature of Singapore economy
- Briefly establish the difference with the Japan economy
- Possible causes of recession in Singapore
- Plan for the essay/ direction for the essay

**Body:**

- **Argue** how and why the expansionary fiscal policy will work for Singapore + use examples
- **(Counter Argue)** Highlight the possible limitations of expansionary fiscal policy for Singapore
- **Argue** why the expansionary monetary policy in the form of printing money is not applicable in the context of Singapore (briefly explain open economy trilemma)
- Explain other possible monetary policy that may work instead
- Other possible policies → if the recession is due to possible fall in AS → **Argue** use and explain supply side policies to solve the problem
- These other problems also have some limitations (**Counter Argue**)

**Conclusion:**

- Take a stand and justify on whether the policies that are used in Japan can be used in Singapore
- Provide suggestions of other policies that Singapore may look into and promote.

<b>Levels</b>	<b>Descriptors</b>	<b>Marks</b>
L3	A very well explained answer that clearly addresses the requirements of the questions, analysing the use of all the policies suggested in the context of Singapore. The answer displays various perspectives and develops the various arguments coherently. The use of examples/reasons in the context of Singapore is good and relevant. The content is well elaborated to encompass the nature of Singapore economy and the various issues that she has to deal	9-11

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	with. Good use of AD/AS diagram to complement the explanation is expected.	
L2	<p>The answer attempts to use the context of Singapore but the arguments are not developed coherently to suit the context well. There is lack of adequate development of content. The answer inconsistently addresses the requirement of the question in the use of nature of Singapore and source of recession in Singapore.</p> <p><b>OR</b></p> <p>The answer is largely one-sided: explain why one policy would or would not work</p> <p><b>OR</b></p> <p>Discuss only ONE of the policies very well, with sufficient content development and use of good contextual knowledge</p>	6-8
L1	The answer does not address the requirement of the question and has not attempt to link to the context of Singapore and the source of recession in Singapore. Different policies are discussed/explained in a rather regurgitated manner.	1-5
E2	A well rationalised stand with some attempts to look beyond theory and base the judgement on reality	3-4
E1	Attempt to make a stand without proper justification	1-2

**6. There is substantial evidence, from countries of different sizes and different regions, that as countries “globalize” their citizens benefit. (IMF May 2008)**

**Explain how globalization has changed Singapore’s pattern of trade and assess whether such changes have benefitted the Singapore economy. (25)**

**CCCA**

Approach	<p>This question comes in two parts. Students should be able to explain that the fundamental theory explaining international trade is the theory of comparative advantage. It is important that students start off by explaining Singapore’s trade pattern as a background to the question. What else might explain what we export and import? Remember, comparative advantage theory dictates what we export and import – we export what we have a comparative advantage in and import what we do not have a comparative advantage in. While this theory explains some of Singapore’s trade pattern there are also other reasons which explain Singapore’s trade pattern.</p> <p>The second part of the question analyze how globalization has changed Singapore’s trade pattern. Assess means to consider different perspectives of the analysis. There should be a thesis, anti-thesis and synthesis.</p> <p>Thesis: How globalisation which has changed Singapore’s trade pattern has benefitted the economy and improve the citizens’ standard of living. (refer to preamble)</p> <p>Anti-thesis: How globalisation which has changed Singapore’s Pattern of trade has not benefitted the economy and people’s standard of living.</p> <p>Synthesis: Evaluate overall whether Singapore has benefitted from globalization. Students need to link globalisation to changes in the pattern of trade.</p> <p>The essay first aims to explore how Singapore’s pattern of trade has changed due to globalisation before looking at the impact of such changes on the Singapore economy. Must also link to preamble. Although not asked, examples are expected</p>
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**Answer outline**

Outline of essay:	
Introduction Paragraph 1	What is meant by globalization and pattern of trade? Briefly explain that globalisation encourages trade between countries according to the theory of comparative advantage.
Paragraph 2	Globalisation has resulted in Singapore’s comparative advantage to shift away from labour intensive products to capital and technology intensive products.

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Paragraph 3	Other reasons for changes in Singapore's trade patterns that are not associated with comparative advantage due to Singapore being a transshipments hub, location advantage and intra-industry trade.
Paragraph 4	Singapore's trade pattern also changed since joining FTA and WTO. Expansion of our markets and trading with more countries.
Paragraph 5	Explain how our trade pattern may change due to our trading partner's exchange rate which may affect relative price of our imports.
Paragraph 6 Thesis 1	Benefits arising from a change in Singapore's pattern of trade. Globalisation has resulted in Singapore exporting high value added and importing low value added goods and services → increase in (X-M) and improve Singapore's BOT and actual growth and SOL. Inward FDI → actual and potential growth.
Paragraph 7 Anti-thesis 1	Costs arising from change in Singapore's pattern of trade. Crowding out effect and affect Singapore's long term economic stability.
Paragraph 8 Thesis 2	Trading with more countries → decreases unemployment and move into knowledge intensive industries. Increase international mobility means more goods and services produced resulting in increase in material SOL.
Paragraph 9 Anti-thesis 2	Increase interdependence of economy and therefore more vulnerable to external shocks. Also changes in the pattern of trade may result in structural unemployment and fall in wages of lower skilled workers causing income inequality.
Paragraph 10 Thesis 3	The joining of FTA has impacted our pattern of trade which has resulted in trade creation and trade diversion. This has benefitted exporting industries generating more output, income and employment and thus increase SOL.
Paragraph 11 Anti-thesis 3	Explain how increase in (X-M) may trade off with other macroeconomic aims such as inflation, increase in demand for imports due to removal of tariffs, unemployment.
Paragraph 12 Thesis 4	Our changing pattern of trade which caters for the global market has led to the improvements in transportation and communication and therefore has increased mobility of labour and capital.
Anti-thesis 4	Opportunity costs in the use of resources to develop export driven industries.
Conclusion	Evaluate whether Singapore has overall benefitted from globalisation and whether the benefits outweigh the cost and your stand on the SOL



	of the people.
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**Marking Scheme**

Lower L1	Students define globalisation only and leave out pattern of trade. Globalisation is well defined with some account of causes of globalisation but leave out pattern of trade.	1 – 5 marks
Higher L1	Students define globalisation and pattern of trade with brief general explanation of advantages and disadvantages of globalisation with no linkage to changing trade pattern and comparative advantage.	6 – 9 marks
Lower L2	Answer that does not link globalisation to changes in the trade pattern but only analyses the economic impact of increased trade and factor mobility on Singapore with some examples. Able to bring out how Singapore's pattern of trade has changed from labour intensive to capital and technology intensive and nature of its exports and imports. Also reference is made to comparative advantage. One sided answer with no anti-thesis.	10 – 11 marks
Higher L2	There is some link between globalisation to changes in the pattern of trade. Use of comparative advantage analysis when explaining Singapore's changing trade pattern. Causes of changes in Singapore's trade pattern and how globalisation has influenced our trade pattern and what benefits do our economy enjoy. Some attempts at analysing the anti-thesis.	12 - 14 marks
Lower L3	Students are able to analyse the impact of these changes on the Singapore economy with examples and also link to the standard of living of its citizens. Two sided answer with thesis and anti-thesis.	15 – 17 marks
Higher L3	Students are able to define globalisation and changing pattern of trade explained by the Law of comparative advantage. Also bring out trade patterns caused by other factors. Thesis and anti-thesis are very clearly analysed. Students must analyse three benefits and costs. Examples must be provided. Both thesis and anti-thesis must be linked to the preamble on how they affect citizens standard of living.	18 – 21 marks
E1	Evaluation by just reiterating the cost and benefits of globalisation without making a stand.	1- 2 marks
E2	Assess whether Singapore has overall benefitted from globalisation and able to make a stand as to whether the costs outweigh the benefits or the benefits outweigh the costs and why and your stand on the standard of living of our citizens.	3-4 marks

