DUNMAN HIGH SCHOOL
(SENIOR HIGH)
ECONOMICS UNIT 2025
YEAR 5 H2

Theme 2: Markets
2.2 Microeconomic Objectives and Policies

Section A: Review Questions

Multiple-Choice Questions

1. A public good is a good whose benefits are
   A. diminished as it is consumed and whose benefits cannot be withheld from anyone.
   B. not diminished as it is consumed and whose benefits cannot be withheld from anyone.
   C. not diminished as it is consumed and whose benefits can be withheld from anyone.
   D. concentrated among a select few.

2. Consumption of a pure public good
   A. increases the supply of the good.
   B. denies the opportunity to consume the good to others.
   C. excludes others from consuming the good somewhat.
   D. neither depletes the good nor excludes others from consuming it.

3. Which *one* of the following comes closest to being a 'pure' public good?
   A. Defence
   B. Postal service
   C. Health service
   D. Education

4. The net benefit to society from reducing pollution is equal to
   A. the sum of the benefits of reducing pollution and the costs.
   B. the difference between the benefits of reducing pollution and the costs.
   C. the additional benefit plus the additional costs.
   D. the quantity of pollution, such as the tons of reduction in sulphur dioxide.

5. Match the terms on the left with the definitions in the column on the right.

i.	Third parties	a.	spillover costs or benefits imposed on third parties
ii.	Market failure	b.	the cost to society of producing a good including both the private costs and external costs
iii.	Externalities	c.	people who experience spillover benefits or costs
iv.	Public goods	d.	benefits from these goods aren't diminished by consumption and cannot be withheld from anyone
v.	Free rider	e.	the failure of the market to achieve an optimal allocation of the economy's resources
vi.	Social cost	f.	someone who consumes a good or service without paying for it

Short-answered questions

1. Adapted from VJC2019 H2 P1 Q1

After years of foot-dragging India will begin work in around a month on a US$87 billion infrastructural scheme to connect some of the country's biggest rivers. The mammoth plan entails linking nearly 60 rivers, which the government hopes will cut farmers' dependence on fickle monsoon rains by bringing millions of hectares of cultivatable land under irrigation. Government officials say diverting water from bountiful rivers such as the Ganges, Godavari and Mahanadi to sparse waterways by building dams and a network of canals is the only solution to floods and droughts that plague India every year, killing hundreds of poor people and withering crops.

Source: Reuters, 1 Sep 2017

a. Explain why a network of artificial canals for flood control can be considered a public good.

b. Explain public good as a source of market failure.

2. Adapted from HCI2019 H2 P1 Q2

The Inclusive Internet Index measures how effectively individual countries have adopted internet usage and the benefits derived from it. Device innovation, technological advances and declining prices afford increased connectivity; yet prices are still quoted as one of the key barriers to access in developing economies.

Source: www.edb.gov.sg, 12 April 2017 and *The Straits Times*, 2 June 2018

a. Is internet access a public or private good? Explain.

b. Explain the inequity problem in internet access.

3. Adapted from RVHS2020 H2 P1 Q1

The agriculture sector is one of the world's biggest sources of climate-altering gases, the vast majority of which come from meat and dairy production. Cows produce the greenhouse gas methane when they burp and constitute the most carbon-intensive part of the food industry. With cattle responsible for 62 percent of agricultural emissions, consuming fewer of them is one of the most powerful steps an individual can take toward protecting the planet.

Source: The Washington Post, 18 November 2019

a. Identify the market failure above.

a. Explain, with the use of a diagram, how the above market failure leads to an undesirable allocation of resources.

4. Innovation, Productivity and Spillover Effects – Evidence from Chile

The research and development (R&D) undertaken by one firm can affect the performance of other firms operating in the same or in other industries, either locally or abroad. A discovery in one firm, sector, or country can trigger new avenues of research, inspire new research projects, lead to new applications, or simply be imitated by other firms, sectors, or countries. Due to weak or incomplete intellectual property protection, the difficulty of keeping innovations secret, and the possibility of reverse engineering and imitation, some of the knowledge and benefits from R&D spill over to other firms. These spillovers may create a gap between private and social returns to R&D investments, and a disincentive to engage invest R&D.

Adapted from Inter-American Development Bank (IDB) Working Paper Series, No. IDB-WP-963, January 2019

a. Identify the market failure above.

b. Explain, with the use of a diagram, how the market failure.

5. Adapted from MI2019 P1 Q1

Binge-watching, otherwise known as the act of streaming many television episodes in one sitting, is more common and doable than ever. Though that might sound glorious to TV fans, it's a bit worrisome to health experts across the country. With so much content available, and so much screen time becoming the norm – replacing hours devoted to fitness, socialising and sleeping – the potential health implications of binge-watching are becoming more obvious.

The research on the health effects of binge-watching is still in its infancy, but a few studies have raised concerns. According to a 2017 study published in the Journal of Clinical Sleep Medicine, avid binge-watchers reported poor sleep quality, increased fatigue and more insomnia symptoms.

Source: *The Washington Post*, 2019

a. Identify the market failure above.

b. Explain, with the use of a diagram, how the above market failure leads to an undesirable allocation of resources.

Section B: Case Study Questions

1. N2023/I/1 Energy Sources

2. N2022/I/1 The housing market – Global perspectives

Instructions

Mark allocation for the following questions to change to:

Part (f) → 8m

Part (g) → 10m