ANDERSON SERANGOON JUNIOR COLLEGE
JC1 WEIGHTED ASSESSMENT (2) 2024
Higher 1

ECONOMICS 8843

Term 3 Week 7

Additional Materials: Writing Papers **50 minutes**

READ THESE INSTRUCTIONS FIRST

Write your name, class and index number in the spaces provided on all the work you hand in.
Write in dark blue or black ink.
You may use a soft pencil for any diagrams, graphs or rough working.
Do not use paper clips, highlighters, glue or correction fluid.

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

Name: ________________________________( )

Class: 25 / _____

Question Number	Marks Awarded
1	/20

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

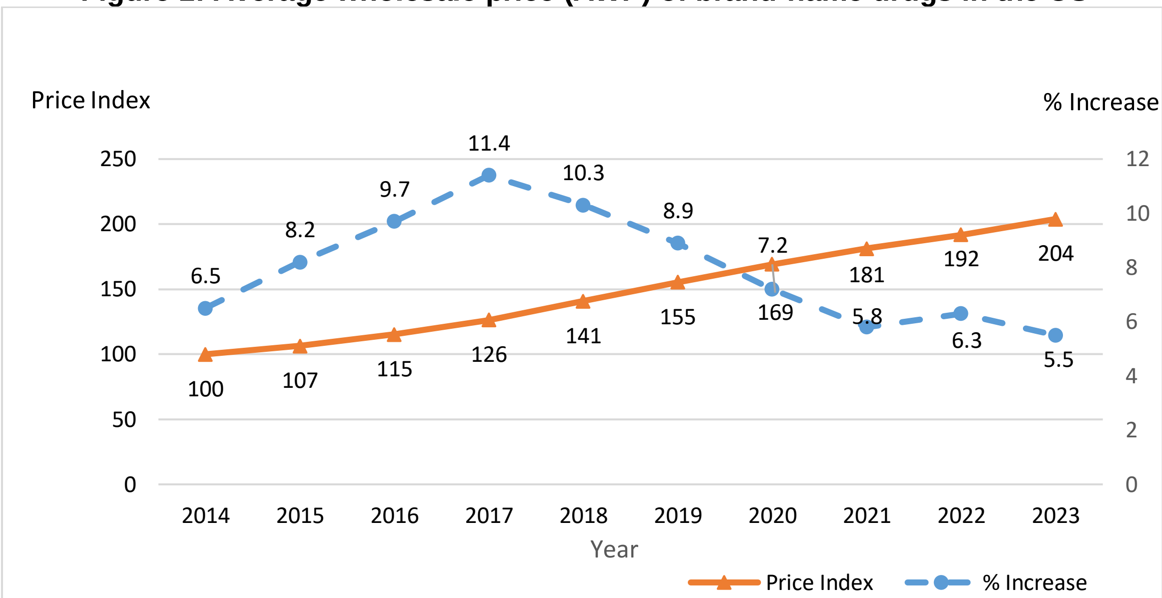
[Turn over

Answer **all** questions.

Question 1

Navigating the challenges of the COVID-19 pandemic

Figure 1: Average wholesale price (AWP) of brand-name drugs in the US



Extract 1: COVID-19 pandemic put drugmakers' revenues at risk

Drug prices have been increasing over the years due to higher incomes, steadily rising economic growth and rising cost of raw materials.

However, drugmakers are reeling from effects of the COVID-19 pandemic. The pandemic has reduced doctor visits and short-term demand for some drugs. Therefore, drugmakers including Pfizer Inc, Sanofi SA, and GlaxoSmithKline Plc plan to raise US prices on more than 300 drugs in the United States on January 1. Drug price hikes could help make up for lost revenue as doctor visits and new prescriptions plummeted during the global lockdown.

Pfizer plans to raise prices on more than 60 drugs. Those include roughly 5% increases on some of its top sellers like rheumatoid arthritis treatment Xeljanz and cancer drugs Ibrance and Inlyta. These drugs have worked well for many patients and are seen as "life-savers", but there are patients who developed side-effects and had switched to other brands.

Source: Adapted from *Reuters*, 1 January 2021

Extract 2: COVID-19 vaccine makers are unhappy with price cap in private hospitals

COVID-19 vaccine makers showed displeasure at the capping of vaccine prices at 250 rupees in private hospitals. Of the 250 rupees, private hospitals earn 100 rupees as service charge, while 150 rupees goes to the vaccine maker. Vaccine companies feel betrayed by the low-price cap which is "too low to sustain," said a source in one of the vaccine manufacturing companies.

Source: Adapted from *The New Indian Express*, 28 February 2021

Extract 3: Here's why taking the vaccine is necessary even if it's optional

Singapore received its first shipment of COVID-19 vaccines on Monday (Dec 21, 2020) evening, making it the first country in Asia to take in the vaccine developed by Pfizer and BioNTech. Vaccinations in Singapore will be voluntary and free for all Singaporeans as well as long-term residents in Singapore.

Vaccination, if it prevents infection, provides three forms of protection.

First, it protects the individual who has been vaccinated. The trials show that in the short term, getting vaccinated prevents one from getting COVID-19. Even if infection is not prevented, it can protect people from becoming severely ill with the disease. However, not everyone is aware of the full benefits of getting the vaccine.

Second, it protects the people whom the person being vaccinated comes into contact with. This is particularly salient as some people can't get vaccinated yet. The trials don't include children, or pregnant women, for instance, and so neither of these groups can get vaccinated for now. Both groups can, however, be partially sheltered by their families or partners being vaccinated.

Third, it protects society. Once enough people have been vaccinated, those who have not been vaccinated are sheltered by those who have. At that point, although infection can be introduced by a traveller or through someone who hasn't been vaccinated, sustained transmission is no longer possible.

Source: *CNA*, 23 December 2020

Questions

(a) **(i)** With reference to Figure 1, describe the trend in average wholesale price (AWP) of brand-name drugs in the US from 2014 to 2023. **[2]**

(ii) With reference to Extract 1, explain one demand and one supply reason for the general trend identified above. **[4]**

(b) "Drug price hikes could help make up for lost revenue as doctor visits and new prescriptions plummeted during the global lockdown."

Using the concept of PED, explain why Pfizer plans to raise prices to make up for lost revenue and comment on the effectiveness of such a plan. **[6]**

(c) Using a diagram, explain the effects of a "price cap" on the market for vaccine. **[3]**

(d) Explain how the presence of positive externalities leads to failure in the market for COVID-19 vaccination. **[5]**

Total: 20 marks

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