**JC Economics Essay Outline Practice for Inflation/Unemployment**

**Essay Question 1 – Essay Outline**

Singapore's unemployment rate rose to 2.1% in April to June 2011, up from the 3-year low of 1.9% recorded in January to March 2011.

*Ministry of Manpower, Singapore, 2011*

(a) Explain why a government would want to reduce unemployment in an economy. [10]

(b) Discuss the extent to which demand-side factors are likely to account for the rise in unemployment in Singapore. [15]

**Essay Question 2 – Essay Outline**

Singapore experienced a quarterly growth rate of -0.7% from April to June 2012. Howeverduring the same period, inflation rate remained high at about 5%.

(a) Explain why inflation can remain high despite a slowdownin economic growth in Singapore. [10]

(b) "Inflation is harmful to an economy and hence it should be the priority of the Singapore government to reduce inflation." Discuss. [15]

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**A)Introduction**

- definition of unemployment

- state the types of unemploymemt

**Main body**

**1. Identify the reason for the government to reduce unemployment**

- to solve the problem of under- utilization of resources like labour

- decrease in standard of living – decrease in employment -decrease in income – fall in real GDP per capita – lower SOL

- to prevent the problem of budget deficit due to excessive unemployment

- to prevent the problem of unequal distribution of income AND THE SOCIAL EFFECTS OF social instability

- to prevent the fall in SOL

- to aid the social polciy like retirements, medical care through the income available for contribution of cpf.

**2. analysis –** which effect is most impactful? The reason for this impact – impact on social policy – affect the labour market and political stability of the economy

* **Conclusion**

B) introduction

To examine whether dd factors are most important or not in influencing unemployment, we need to study the nature of sg economy and the types of unemployment in SG

Main body

1. Describe the nature of economy for sg

-small and open economy

-capital intensive

High dependence FDI and XD (XD to trade is 2,5 times)

**2. Why dd deficient unemployment is more significant and this explains why it is most influential factor**

- XD is of great composition of the total AD – if XD falls, the AD will decrease – the real GDP will decrease via the k effect – decrease in production - decrease in dd for labour – increase unemployment – draw diagram and explain diagram

**Evaluation:**

* XD to GDP ratio is high – high composition of influence from XD – signify the importance of XD to production – therefore unemployment
* The significance of consumption and government expenditure – high value of GDP which will influence consumption and tax revenue for government expenditure
* Value of investment – affects mass employment

**Why it is not significant?**

Influence of import demand – decrease in AD is based on import demand – does not affect production – does not affect unemployment

Small k effect – the impact from AD is lesser when the economy contracts – production decreases less – unemployment is not affected extensively

**3. Explain why supply factors in the case of structural unemployment will be significant**

* **High degree of emphasis on high-valued production – skill-intensive – skill mismatch**
* **Capital intensive – displacement of workers**
* **FDI based – very competitive – adjust to competition – strcuturalchanges – displacement of workers and skills mismatch**

4. Why frictional unemployment will not be significant

- labour force is well informed / less social benefits – more willing to work

5. Analysis –

The high degree of competition will demand extensive structural changes that make supply side factors more impactful – while demand side is less impactful because we can diversify the international market demand to make it less impactful for the economy.

Conclusion