

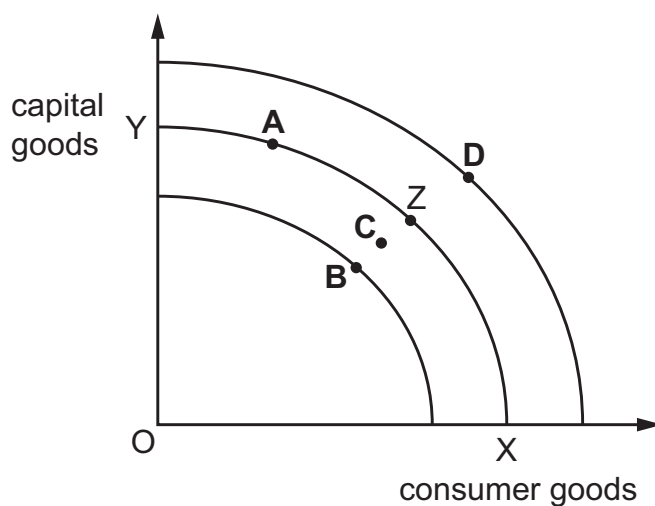
- 29** An economy specialises in the production of one product. It exports this product to obtain another product.

Which type of diagram can show the combinations of these products?

- A** the production possibility curve
- B** the aggregate demand curve
- C** the principle of absolute advantage
- D** the trading possibility curve

- 4** A country is currently producing at output Z on production possibility curve XY. Its annual economic growth rate is forecast to decline over the next ten years to 5% per year.

If the forecast is correct, which point represents its most likely economic output in 10 years?



Malaysia's uncertain economic prospects

Malaysia is an emerging middle-income country. Its increasing population is an important factor in promoting future economic growth. The country, however, faces two underlying problems. First, the fertility rate, the average number of children a woman can expect to give birth to, has fallen consistently as Malaysia's economy has developed. This rate is now below the critical level where a population replaces itself. Second, Malaysia has an ageing population, with an increasing proportion of its population over 65 years of age. In 2015 the average age of Malaysia's population was 28.2 years; in 2030 it is forecast to reach 34.1 years. Malaysia's forecast total population to 2027 and its ageing population from 2017 to 2022 are shown in Figs. 1.1 and 1.2 below.

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Fig. 1.1 Total population of Malaysia, 2017 to 2027

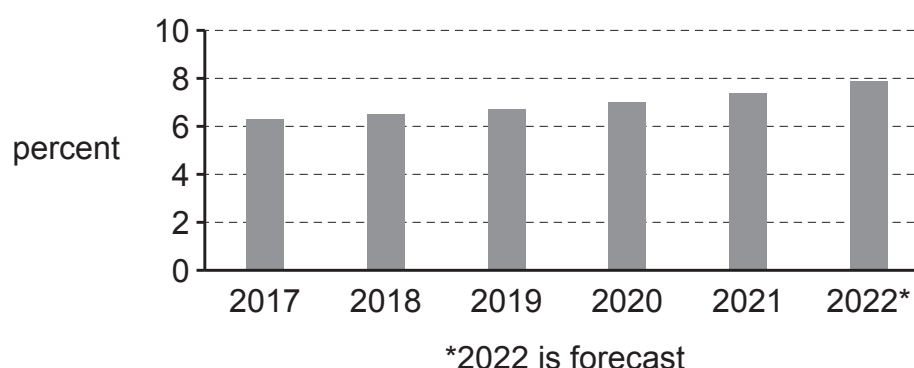


Fig. 1.2 Share of population older than 65 years in Malaysia, 2017 to 2022

The key issue for Malaysia's government is whether it is prepared for this fundamental shift in its population. There is plenty of scope for optimism. The economy appears to have recovered from the shock of the COVID-19 pandemic. Its growth rate in 2021 and the 2022 forecast was above the government's target of 5.1%, with substantial growth in exports of electrical and electronic goods, palm oil, gas and oil supplies. Unemployment is below 4% and the current account of the balance of payments was projected to have a record surplus in 2022.

Economists, however, fear that Malaysia's government and its people are not ready to meet the challenges of an ageing population. In a recent survey, 70% of respondents felt it was the duty of the young to take care of the elderly, but they were also concerned that the economy could not cope with the pressure on its human capital and other resources. More resources will have to be allocated to meet the needs of the elderly.

It was further argued that Malaysia needed a proper plan for dealing with this situation. According to one economist, free childcare for working parents was essential and tax incentives should be used to keep more elderly workers in employment.

Source: Saw Yee Fung, Low rates impact on Malaysia's human capital and economic development, The Star (KL) 15 October 2022.

- (a) Use the information in Figs. 1.1 and 1.2 to compare the change in Malaysia's total population from 2017 to 2022 with the change in its ageing population from 2017 to 2022. [2]
- (b) Explain **one** example of 'what to produce' in Malaysia that may have to change in order to meet the needs of its ageing population. [2]
- (c) With the help of a production possibility curve (PPC) diagram, consider the extent to which Malaysia's productive capacity is likely to change with its projected change in total population. [4]
- (d) Assess whether the Malaysian government should provide free childcare to working parents. [6]
- (e) Excluding net exports, assess the likely impact of the change in Malaysia's total population on aggregate demand. [6]

Section B

Answer **one** question.

EITHER

1 Which statement about a free vaccination programme is normative?

- A** It will help raise life expectancy.
- B** It is likely to improve the welfare of society.
- C** It will result in lower spending on other medical services.
- D** Tax revenues generated through improved economic activity will exceed the spending on vaccination.

- 10** Farmers want to extract wild honey from beehives. They find the beehives by following birds known as honeyguide birds who want the beeswax that is also found in the beehives.

What does this suggest?

- A** Farmers and honeyguide birds are rival consumers.
- B** Wild honey and beeswax are free goods.
- C** Wild honey and beeswax are in joint supply.
- D** Wild honey is the opportunity cost of beeswax.

- 2 (a)** An economy contains just two sectors, an agricultural sector and an industrial sector.

With the help of a diagram, explain how a production possibility curve (PPC) can be used to show the concept of opportunity cost **and** consider whether opportunity cost is likely to remain constant if resources are reallocated from the agricultural sector to the industrial sector. [8]

- (b)** Assess whether the free market should be used to provide **all** types of goods in an economy. [12]

OR