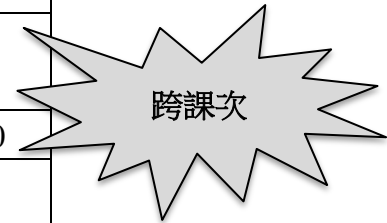


***NSS Exploring Economics (3<sup>rd</sup> Edition)***  
**Current Issue Questions (SAMPLE)**

**Q19 Hong Kong's introduction of the three-runway system**

<b>Related concepts</b>	<b>3<sup>rd</sup> Edition</b>
Effects of changes in demand and supply	Bk1 Ch4
Types of business ownership and related advantages	Bk2 Ch8
Types of factors of production	Bk2 Ch10
Effects of changes in aggregate demand and aggregate supply	Bk5 Ch5



The newly completed three-runway system at Hong Kong International Airport has made its debut. It was expected that the system will boost Hong Kong's re-exports and attract more low-cost carriers. Steven Yiu, the Airport Authority's executive director of airport operations, expected airfares to go down with the introduction of the three-runway system.

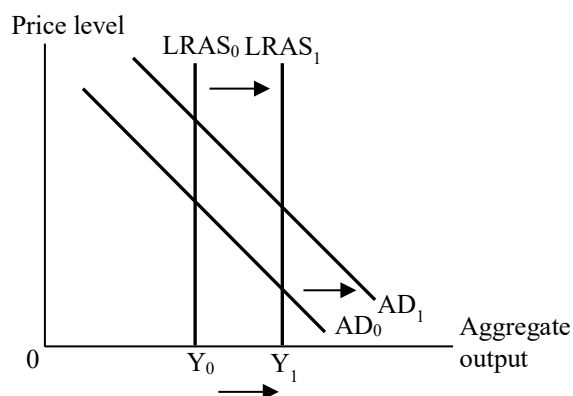
**Questions**

1. Explain to which type of factor of production the runways in Hong Kong's airport belong. (2 marks)
2.
  - a. Name the type of business ownership that the Airport Authority is. (1 mark)
  - b. State TWO advantages of providing airport service by a firm with that type of business ownership. (2 marks)
3. WITHOUT the aid of a diagram, explain why airfares would go down after the introduction of the three-runway system. (2 marks)
4. Other things being equal, what effects will the three-runway system have on Hong Kong's aggregate demand and long run aggregate supply? How about on aggregate output? Explain your answer with the aid of a diagram. (8 marks)

### Suggested Answers

1. They belong to capital, because (1 mark)  
they are man-made resources used in production. (1 mark)
  
2. a. Public corporation (1 mark)  
b. Advantages:
  - easier to get information about the general public from the government for decision-making
  - can provide stable service with a lower price
  - easier to get loan with the backup of the government(Any TWO of the above answers or other reasonable answers.  
1 mark  $\times$  2 = 2 marks)
  
3. The system can attract more low-cost carriers, implying an increase in the supply of airline services. (2 marks)  
Hence, airfares would decrease.

4. Indicate in the diagram:
  - Rightward shift of the AD curve (1 mark)
  - Rightward shift of the LRAS curve (1 mark)
  - $Y_1 > Y_0$  (1 mark)



#### Verbal elaboration:

The system would boost Hong Kong's re-exports. Moreover, since the system could also attract low-cost carriers, the number of tourists visiting Hong Kong would increase. Both would increase Hong Kong's net exports, leading to an increase in aggregate demand. (2 marks)

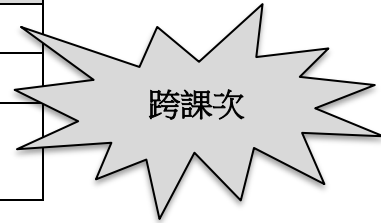
On the other hand, the three-runway system would also expand Hong Kong's production capacity, leading to an increase in its long run aggregate supply. (2 marks)

In the long run, aggregate output would increase. (1 mark)

***NSS Exploring Economics (3<sup>rd</sup> Edition)***  
**Current Issue Questions (SAMPLE)**

**Q20 Myanmar earthquake**

Related concepts	3 <sup>rd</sup> Edition
Free goods, opportunity cost	Bk1 Ch1
Public goods	Bk3 Ch17
Effects of changes in aggregate demand and aggregate supply	Bk5 Ch5



Hit by a powerful 7.7-magnitude earthquake on March 28, Myanmar experienced a large number of casualties. Many buildings collapsed and infrastructure, such as roads and airports, was severely damaged as a result of the earthquake. Neighbouring countries of Myanmar were also affected, with a high-rise building under construction in Bangkok, Thailand also collapsing.

**Questions**

1. A number of international organisations distributed free relief supplies such as food, drinking water, medical kits, etc. to quake victims. Explain whether these free supplies are
  - a. free goods. (2 marks)
  - b. public goods. (3 marks)

2. Mr Lee is considering how to spend a holiday. His order of preference is as follows:

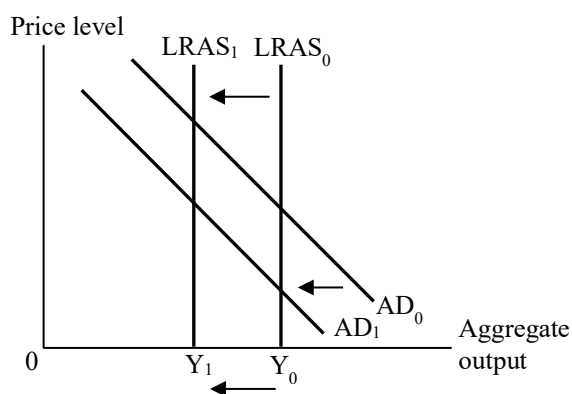
First option: Going to Bangkok to sightsee Second option: Going to Singapore to watch a concert First option: Going to Tokyo to shop
--

Explain whether Mr Lee's opportunity cost of going to Tokyo to shop would ***necessarily*** remain unchanged. (2 marks)

3. The earthquake damaged Myanmar's infrastructure and locals have become pessimistic about the country's economic prospects. Moreover, fewer tourists are visiting the country amid the fear of a further earthquake.  
With the aid of a diagram, explain how the earthquake will affect Myanmar's long run aggregate output. (7 marks)

### Suggested Answers

1. a. No. People prefer more free supplies. The resources used to produce these supplies have alternative uses. (2 marks)
- b. No. These supplies are rival in consumption. One's consumption of these supplies reduces their quantities available to others. (3 marks)
2. No, because (1 mark)  
the earthquake makes going to Bangkok more dangerous. Hence, the value of the highest-valued option forgone (i.e., going to Bangkok to sightsee) would decrease. (1 mark)
3. Indicate in the diagram:
  - Leftward shift of the AD curve (1 mark)
  - Leftward shift of the LRAS curve (1 mark)
  - $Y_1 < Y_0$  (1 mark)



#### Verbal elaboration:

When locals become pessimistic about a country's economic prospects, the country's private consumption expenditure / investment expenditure will decrease. When the earthquake causes fewer tourists to visit the country, the country's net exports will decrease. Both of the above will cause Myanmar's aggregate demand to decrease. (2 marks)

On the other hand, the earthquake damaged Myanmar's infrastructure. Its long run aggregate supply will decrease. (1 mark)

In the long run, aggregate output will decrease. (1 mark)

***NSS Exploring Economics (3rd Edition)***  
**Current Issue Questions (SAMPLE)**

**Q21 HKHA tightens Well-off Tenants Policies**

<b>Related concepts</b>	<b>3rd Edition</b>
Three basic economic problems	Bk1 Ch2
Normative and positive statement	Bk1 Ch2
Private property rights	Bk1 Ch2



**Questions**

To ensure that public rental housing is allocated rationally to those in genuine need, the Hong Kong Housing Authority (HKHA) implemented a tightened ‘Well-off Tenants (富戶) Policies’ in October 2025.

1. Under the new policy, tenants whose household income exceeds two times but not more than three times the prevailing public rental housing income limits will be required to pay 2.5 times net rent plus rates (差餉). Explain to which of the three basic economic problems the policy is related? (2 marks)
  
2. ‘A fairer approach would be for the government to further reduce the income threshold for public rental housing tenants.’ Explain whether this is a positive statement. (2 marks)
  
3. To prevent the abuse of public rental housing, the HKHA prohibits tenants from using their units for non-residential purposes.
  - a. What are private property rights? (1 mark)
  - b. Explain how the above regulation affects the private property rights that public rental housing tenants have over their units. (3 marks)

### **Suggested Answers**

1. For whom to produce, because (1 mark)  
the policy is related to the distribution criterion of rental public housing. (1 mark)
  
2. No, because (1 mark)  
it involves a value judgment (i.e., what fairness is). (1 mark)  
OR  
it is not refutable by facts. (1 mark)
  
3. a. Private property rights are the exclusive right to use, the exclusive right to receive income from, and the right to transfer a private property. (1 mark)  
b. The above regulation weakens tenants' private property rights over the unit because (1 mark)
  - their right to use the unit for non-residential usages (such as storage) is limited.
  - their right to derive income from non-residential usages (such as commercial activities) of the unit is limited.(Any ONE of the above or other reasonable answer. 2 marks)

*NSS Exploring Economics (3rd Edition)*  
**Current Issue Questions (SAMPLE)**

**Q22 Locals Snap Up Weak Yen for Japan Travel**

<b>Related concepts</b>	<b>3rd Edition</b>
Linked Exchange Rate System of Hong Kong	Bk6 Ch14
Effects of a change in the exchange rate on exports	Bk6 Ch14
The balance of payments account	Bk6 Ch14



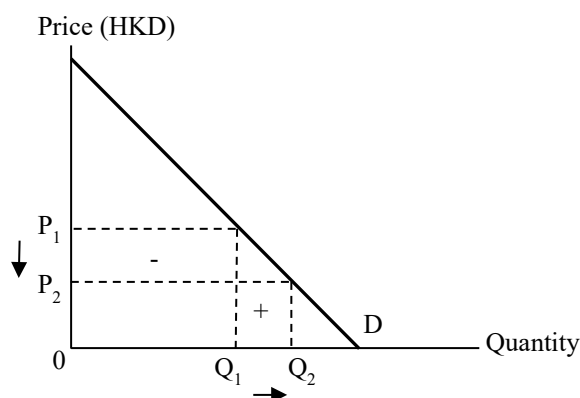
**Questions**

As the Japanese yen (JPY) remains weak, many Hong Kong people are planning trips to Japan, leading to long queues outside money exchange shops.

1. The Japanese yen has continuously depreciated against the US dollar (USD). Under Hong Kong's Linked Exchange Rate System, how would the exchange rate between JPY and the Hong Kong dollar (HKD) change? (1 mark)
2. Suppose the price of goods and services in Japan remains unchanged. With the aid of a diagram, explain under what condition the total expenditure (in terms of HKD) of Hong Kong residents travelling to Japan will decrease. (5 marks)
3. Apart from the effect on the invisible trade balance, explain **ONE** other effect of the depreciation of JPY on Hong Kong's balance of payments. (2 marks)

### Suggested Answers

1. As JPY has depreciated against USD, JPY would also depreciate against HKD under the Linked Exchange Rate System. (1 mark)
2. Indicate in the diagram:
  - Price decreases, quantity increases (1 mark)
  - Decrease in TE > Increase in TE (1 mark)



#### Verbal elaboration:

The price (in HKD) of goods and services in Japan will decrease and quantity will increase. (1 mark)

If Hong Kong residents' demand for Japanese goods and services is inelastic, the percentage decrease in price will be greater than the percentage increase in quantity. (2 marks)

The total expenditure (in terms of HKD) of Hong Kong residents travelling to Japan will decrease.

3. The price of Japanese goods (in HKD) decreases, leading to an increase in quantity. If Hong Kong residents' demand for Japanese goods is elastic, the value of imports will decrease, causing a decrease in the visible trade balance. (2 marks)

OR

The factor income earned by Hong Kong residents from Japan will decrease in value when converted back to Hong Kong dollars. This leads to a decrease in Hong Kong's balance of income account. (2 marks)

OR

The cost (in HKD) for Hong Kong residents of investing in Japanese financial assets (such as stocks and bonds) decreases, attracting Hong Kong residents to increase their investment in Japanese financial assets. This leads to an increase in capital outflow. (2 marks)