Q.28

On 24 February 2021, Financial Secretary Chan Mo-po delivered the 2021-22 Budget, which included some measures to help revive the economy.

Source A: Information on electronic consumption vouchers

In the face of an economic downturn, Financial Secretary Chan Mo-po announced the issuance of electronic consumption vouchers with a total value of $5,000 to each eligible Hong Kong permanent resident and new arrival aged 18 or above. Chan said the scheme could help local merchants and reduce people's living expenses.

The electronic consumption vouchers can only be used within a specific period of time after their issuance. The vouchers cannot be used to pay water charges, electricity charges or taxes. They can only be used at local merchants, such as retail stores, fast food shops and online shops.

(Source: various newspapers)

Source B: Measures related to the tourism industry

Financial Secretary Chan Mo-po said that Hong Kong's tourism industry has been severely affected by the outbreak of COVID-19. The government will earmark $765 million to support the Hong Kong Tourism Board in launching different programmes to attract visitors.

(Source: The 2021-22 Budget, HKSAR Government)

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Source C: Opinions on some measures in the 2021-22 Budget

A government official	Compared with distributing cash directly, electronic consumption vouchers can stimulate citizens' consumption even more.
A young person	I am not yet 18 years old and I am not eligible to receive the electronic consumption vouchers. I will not benefit from the measure.
An economist	After the electronic consumption vouchers are issued, some merchants may take the opportunity to raise prices.
The owner of a local shop	The measures in the budget can stimulate sales and prevent local firms from closing down.

Questions

(a) Suppose a citizen uses the electronic consumption vouchers mentioned in Source A to purchase goods worth $5,000 from a local merchant. Give **TWO** reasons to explain why the local merchant's contribution to Hong Kong's GDP would be less than $5,000 in the current year. (4 marks)

(b) Referring to Source A, use the concept of opportunity cost to justify the statement of the *government official* in Source C. (3 marks)

(c) Explain the effect of the measure mentioned in Source B on the current account in the balance of payments of Hong Kong. (2 marks)

For part (d), candidates are required to present their answer in essay form. Criteria for marking will include use of sources and economic theories, relevant content, logical presentation and clarity of expression.

(d) With reference to the above sources and your own knowledge in Economics, discuss the effects of the economy-reviving measures on Hong Kong, including:
- aggregate output,
- income distribution, and
- other economic variable(s).

(11 marks)

(e) Suggest **ONE** proposal, other than the measures mentioned in Sources A and B, that can help revive the economy. Briefly explain how your proposal works.

(2 marks)