

**ANGLO-CHINESE JUNIOR COLLEGE**  
**2022 JC2 PRELIMINARY EXAMINATIONS**



**ECONOMICS**

**9757/02**

**Higher 2**

26 August 2022

Paper 2

2 hours 15 mins

Additional materials:    Writing papers  
                                     3 cover sheets

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**READ THESE INSTRUCTIONS FIRST**

Write your exam index number and name on all the answers you hand in.

Write in dark blue or black ink pen on both sides of the paper.

You may use a soft pencil for any diagrams, graphs or rough working.

Do not use staples, paper clips, highlighters, glue or correction fluid / tape in your answers.

Each essay question is worth 25 marks. Answer **a total of 3** essay questions. You are to answer **one** from **Section A**, **one** from **Section B** and the third from **either** Section.

Begin each essay question on a **fresh** sheet of writing paper. You will be submitting your essay answers **separately**.

At the end of the examination, arrange your answers in order.

Fasten your answers for each essay question **separately** using the cover sheets provided.

Answer **three** questions in total

### Section A

**One or two** of your three chosen questions must be from this section.

1. Sri Lanka faced its worst economic crisis ever, and there have been huge concerns about the affordability of fuel. The lack of foreign reserves to import resources has worsened the shortage situation. The government has responded with price control to counter the rising fuel costs.
  - (a) Explain why a shortage of fuel can still exist in Sri Lanka after a rise in the price of fuel. [10]
  - (b) Discuss whether price control is the most effective government policy to maintain the affordability of fuel in Sri Lanka. [15]
  
2. Evidence has shown that the workers' participation rate for skills upgrading workshops is generally low, mainly due to 'short-sightedness' by both firms and employees. Firms are worried that trained workers quit to join the competitors. Training subsidies provided are also unevenly distributed to different industries.
  - (a) Explain how the market for skills training may fail. [10]
  - (b) Discuss the view that government intervention in the skills training market may create more problems than it solves. [15]
  
3. Over the last two years, the food and beverage (F&B) industry in Singapore was among the hardest hit sectors amidst the poor business climate and manpower shortages.
  - (a) Explain the determinants of a rational F&B owner's decision on whether to increase the number of outlets in Singapore. [10]
  - (b) Discuss the extent to which firms in highly competitive industries are more vulnerable to closure than firms in less competitive industries during a recession. [15]

### Section B

**One or two** of your three chosen questions must be from this section.

4. As part of the Singapore's economic restructuring plans, grants are provided to encourage companies to invest in more energy-efficient processes and adopt digital technologies. At the same time, large emitters will have to pay a higher carbon tax from 2024.

Adapted from The Straits Times, 28 Feb 2022

- (a) Explain the link between a country's economic growth, unemployment and inflation. [10]
  - (b) Discuss the extent to which the above-mentioned economic plans will lead to a rise in living standards for Singapore. [15]
5. When faced with negative economic growth, governments often turn to fiscal stimulus to support their economy. Some governments provide transfer payments such as cash vouchers, while others spend on building infrastructures.
- (a) Explain **one** possible demand-side cause and **one** possible supply-side cause of falling national output for a country. [10]
  - (b) Discuss whether transfer payments are the most appropriate policy tool to overcome negative economic growth for all economies. [15]
6. To ensure that international trade remains smooth, open and reliable, one must resist the temptation to turn inwards, protectionism is not viable, especially for small states.
- (a) Explain how a country's balance of trade may worsen over time. [10]
  - (b) Discuss the view that the pursuit of a healthy trade balance leaves no room for the use of protectionism. [15]

**End of Paper**