



**Catholic Junior College**  
**JC2 Preliminary Examinations**  
**Higher 2**

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**ECONOMICS**

**9757/02**

Paper 2

**23 August 2017/2018**

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Additional Materials: Writing Paper

**2 hours 15 minutes**

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**READ THESE INSTRUCTIONS FIRST**

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Write your name, class and question number on all the work you hand in.

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

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

Do not use highlighters, glue or correction fluid.

**Begin each question on a new sheet of paper.**

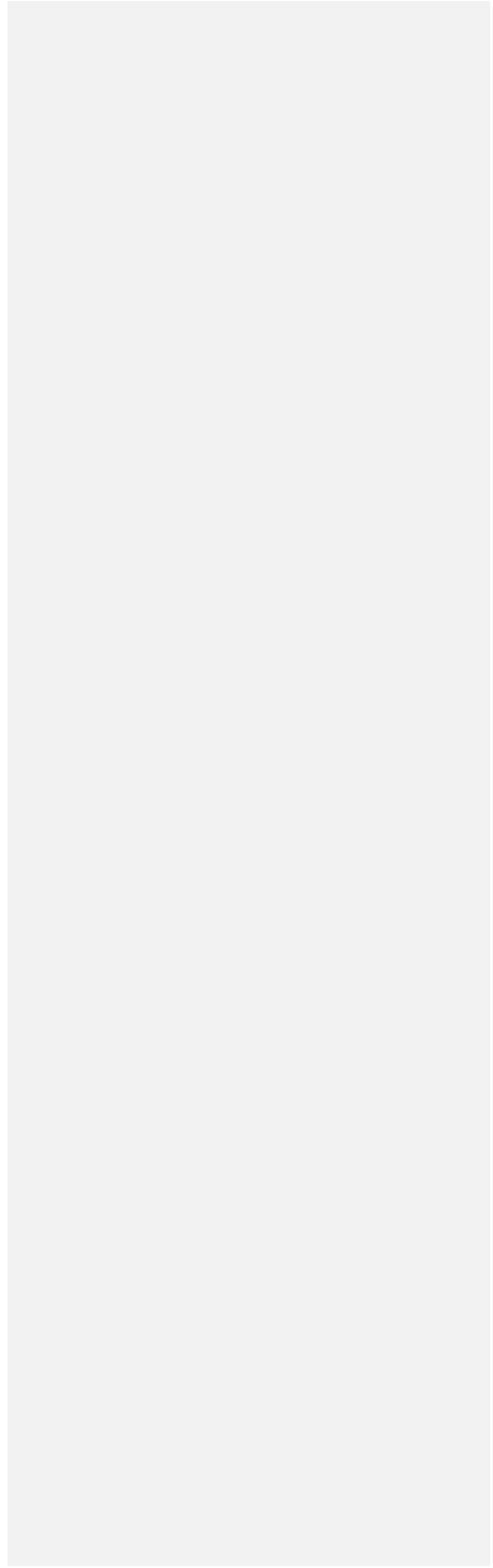
Answer **three** questions in total, of which **one** must be from Section A, **one from** Section B and **one** from **either** Section A or Section B.

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At the end of the examination, **hand in ALL questions separately.**

The number of marks is given in brackets [ ] at the end of each question or part question.

[Turn over]



Answer **three** questions in total.

### Section A

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

- 1 "A stronger than expected growth in Europe, China, India and non-OECD countries has contributed to the global demand for crude oil. However, the addition of Iranian supply where production looks to outpace consumption has brought bad news for producers of crude oil."

*Adapted from Reuters and CNBC* "While a stronger than expected growth in Europe, alongside long-term growth in China, India and non-OECD countries have contributed to the global demand for oil, the addition of Iranian supply where production looks to outpace consumption have brought bad news for producers of crude oil."

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Assess how the above developments would impact the market of crude oil and its related products.

[25]

- 2 (a) Explain why price and output decisions differ across producers in different markets. [10]
- (b) Assess the economic case that rational decision making by consumers and producers always results in more equitable outcomes. [15]

- 3 A new wave of pharmaceutical industry mergers has seen companies like Pfizer, one of the world's largest pharmaceutical company, merging with Wyeth, a rival drug maker. This merger is expected to empower research and development of new drugs, which may boost future drug sales. However, such mergers in the pharmaceutical industry may result in consumer exploitation. Consumers often do not have good quality information when deciding which goods and services to consume. The information available may be incomplete, inaccurate, or producers may have more information about the product than consumers.

- (a) Explain the reasons why firms would want to merge why there is a greater need for government intervention in public goods rather than when information is imperfect. [10]
- (b) Discuss if mergers between firms is the most significant reason behind government intervention in the pharmaceutical industry whether direct provision is the only way to deal with the above sources of market failure. [15]

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## Section B

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

- 4 Productivity growth is critical to our future progress. Without productivity gains, we will eventually lose our competitiveness. Wages will stagnate too. Labor productivity growth can be made more sustainable if firms invest in the right type of technologies, revamp their business processes to create value and also move to new markets.

*Mr Lim Swee Say, Minister for Manpower  
Speech at Singapore Productivity Awards Gala Dinner, 2017*

Explain how improving labour productivity affects a country's ~~the~~ Standard of living and discuss whether it should be the government's priority in Singapore. [25]

- 5 Discuss how far the concept of opportunity cost affects a government's policy decision. [25]

- 6 The withdrawal of the United States from the Trans Pacific Partnership is a setback, but the collective commitment of the remaining 11 partner countries towards greater liberalisation and regional integration may bring some positive outcomes through increased trade, labour and capital flows.

(a) Explain why countries may opt out of free trade agreements. [10]

(b) Discuss the likely effects of liberalisation and greater integration on the long-term growth of Singapore. [15]

**[END OF PAPER]**

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