



SERANGOON JUNIOR COLLEGE

JC2 Preliminary Examination

ECONOMICS Higher 2

9757/02

Paper 2

18 Sep 2017

2 hours 15 minutes

Additional Materials: Writing paper

READ THESE INSTRUCTIONS FIRST

Write down your name and civics group 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 staples, paper clips, highlighters, glue or correction fluid.

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

Start your answers to each essay question on a new sheet of writing paper.

Fasten your answers to each question separately.

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

This document consists of **3** printed pages and **1** blank page.

Answer **three** questions in total.

Section A

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

- 1 Organic food products such as fresh fruits and vegetables are grown without synthetic pesticides, chemical fertilizers or genetically modified seeds. 2015 was a year of significant growth for the organic food industry despite the continued struggle to meet the seemingly unquenchable consumer demand. There was also an increase in the number of farmers converting to organic farming over time.

Source: Organic Trade Association

Discuss the demand and supply factors that determine the output of organic food products and evaluate which is the most important factor. [25]

- 2 As globalisation continues, the tearing down of trade barriers has provided some companies opportunities for growth while it has been harmful for others. Accustomed to dominant positions in protected markets, the influx of foreign competition often poses a threat to the survival of local companies.

Source: Harvard Business Review

(a) Explain the benefits that a firm enjoys when it grows in size. [10]

(b) Evaluate the various strategies a firm can adopt to respond to the challenges posed by globalisation. [15]

- 3 Information failure refers to situations in which economic agents have imperfect information regarding the benefits or costs of their actions as well as when information between the transacting parties is asymmetric in nature.

(a) Explain how information failure could lead to market failure. [10]

(b) Discuss the view that government intervention to correct the above market failure is always desirable. [15]

Section B

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

- 4 (a) Explain the domestic and international factors that could cause deflation. [10]
- (b) Discuss the alternative policies that a government could adopt to address the problem of deflation. [15]

- 5 In 2015, Singapore's GDP at 2010 market prices grew by 2%, the total population grew by 0.8%, inflation was -0.5% and overall unemployment stood at 2%.

Source: <http://www.singstat.gov.sg>, accessed 17 August 2017

Discuss the limitations of these statistics in both assessing the changes in the standard of living in the Singapore economy in 2015 and comparing it with that of other economies. [25]

- 6 Many people feel that free trade is unfair. Some blame it for the loss of jobs; others for their countries' increasing balance of payments deficit.

Source: World Economic Forum.

- (a) Explain how free trade helps to alleviate the problem of scarcity. [10]
- (b) Assess the relevance of protectionism in view of the statement above. [15]

End of Paper

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