



CANDIDATE  
NAME

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CT GROUP

17

CENTRE  
NUMBER

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INDEX  
NUMBER

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**ECONOMICS**  
Paper 2 ESSAY

**9757/02**  
**13 September 2018**  
**2 hours 15 minutes**

Additional Materials: Answer Paper

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### READ THESE INSTRUCTIONS FIRST

Write your **name, CT group, Centre and Index numbers** clearly on every sheet of answer paper that you hand in.

Write in dark blue or black pen on both sides of the answer 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 and tape.

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.

**Start each question on a fresh sheet of writing paper.**

At the end of the examination, fasten your answers to each essay question **separately** with the strings provided.

If you only attempted 2 essays, please submit a blank piece of writing paper (nil return) for the 3<sup>rd</sup> essay, indicating your full name, CT group, centre number, index number **and the question number of the essay question you would have attempted** if time had permitted. If you only attempted 1 essay, please submit 2 of such nil returns.

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

You are advised to spend several minutes reading through the questions before you begin writing your answers.

You are reminded of the need for good English and clear presentation in your answers.

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

**[Turn over**

Answer **three** questions in total.

### Section A

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

- 1 The world has spent an estimated \$2 trillion on dams in recent decades. Many nations built dams to control floods, improve irrigation, alleviate water shortages and generate low-carbon hydroelectricity. But recent studies have shown that mostly people living upstream are benefiting from the capture of river flows at the expense of those downstream. Dams also cause decay to the surrounding areas leading to large emissions of greenhouse gases such as methane that contributes more to global warming than carbon dioxide.
  - (a) Use the concepts of public goods and imperfect information to explain why price mechanism fails to allocate resources efficiently in the provision of dams. [10]
  - (b) Assess the determinants that a rational decision-making government should consider in allocating resources to build a new dam. [15]
  
- 2 In 2014, Malaysia ended its decades-old petrol and diesel subsidies and price caps in an attempt to save billions of dollars to reduce its fiscal deficit. However in 2017, motorists welcomed the government's statement that should the retail prices of petrol and diesel exceed RM2.50 per litre continuously for three months, such measures would be reintroduced.
  - (a) Explain the impact of a subsidy and a maximum price on consumer surplus and producer surplus. [10]
  - (b) In view of rising fuel prices, discuss whether the Malaysian government should reintroduce petrol and diesel subsidies or price caps to keep fuel prices in check. [15]
  
- 3 International trade is a driving force behind economic growth. According to the World Trade Organization (WTO), there are around 420 regional trade agreements in force around the world in 2016 in which barriers to trade and foreign direct investment are lowered.
  - (a) Explain the cost savings for firms and industries that might arise when their countries are in regional trade agreements. [10]
  - (b) Discuss the likely impact of regional trade agreements on the profitability and efficiency of firms. [15]

## Section B

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

- 4** In April 2016, despite 18th consecutive months of negative inflation arising from lower oil and car prices and a soft property market, the Singapore government did not show any intention of intervening to boost prices. On the other hand, Japan embarked on another round of extensive monetary expansion as the familiar 25 year-old threat of deflation resurfaced after a brief period of consumer price growth.

**(a)** Explain the possible causes of deflation. [10]

**(b)** Discuss the different approaches used by the two governments. [15]

- 5** In 2016, the Singapore government raised the personal income tax rate for the top income earners of a chargeable annual income of over S\$320,000 from 20 percent to 22 percent. At the same time, those who earned a chargeable annual income of S\$28,000 and below automatically received a higher amount of Goods and Services Tax (GST) cash voucher. Besides, the government expected a deficit of S\$5.6 billion (1.4% of GDP) and thus Fiscal Year 2016 was an expansionary budget.

Assess the importance of automatic fiscal stabilisers in determining whether [25]  
discretionary fiscal policy should be used to reduce business cycle fluctuations and achieve inclusive growth in Singapore.

- 6** In recent years, the refugee crisis is slowly undoing decades of economic integration by generating a new wave of protectionism that is believed to have shocked the global economy.

Discuss the likely impact of protectionism on the economic growth, inflation and standard [25]  
of living of an economy.