



EUNOIA JUNIOR COLLEGE
JC2 Preliminary Examination 2018
General Certificate of Education Advanced Level
Higher 2

Economics

Paper 2 Essays

9757/02

17 September 2018

2 hours 15 minutes

Additional Materials: Answer Paper

READ THESE INSTRUCTIONS FIRST

Write your name, civics group and question number on the work you hand in.

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

Write your answer to each question on a fresh sheet of paper.

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 Section B.

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

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

Please note that Paper 2 takes up 60% of the total score.

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 Toy building brick companies like Lego have increasingly switched away from using cheaper oil-based plastics to sustainable plant-based ones. Such a move will enhance their image, hence mitigating the effects of a pessimistic economic outlook. Additionally, parents are opting for mobile interactive games as an avenue for imaginative play for their children.

Discuss how the above might affect expenditure by consumers on toy building bricks and its related goods. [25]

- 2 Many firms have been aggressively expanding overseas. This expansion not only involves selling products in new markets, but also includes offshoring their production. Such expansion has not been welcomed by domestic firms in these overseas markets.

(a) Explain why domestic firms might fear such expansion by foreign firms. [10]

(b) Discuss the view that the best strategy for domestic firms to respond to increased competition from foreign firms is to cultivate brand loyalty. [15]

- 3 Medical drugs have been marketed at such extraordinarily high prices that many people will simply not be able to afford them.

(a) Explain the possible sources of market failure present in the medical drugs market. [10]

(b) Discuss how policies to address these sources of market failure may result in unintended consequences. [15]

Section B

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

- 4** Many economists argue that managing rising price pressures is the single most important macroeconomic objective for governments.
- (a)** Explain possible causes of rising price pressures of goods and services in an open economy. [10]
 - (b)** Discuss the extent to which a government's policy decisions to manage rising price pressures are affected by the degree to which its economy is open. [15]
- 5** **(a)** Explain how a country's circular flow of income could be affected by its trading partners' pro-trade policy. [10]
- (b)** Discuss whether an increasing balance of payments surplus is necessarily desirable for a country. [15]
- 6** The Singapore economy is likely to see modest growth over the coming quarters, with GDP projected to expand by 1% to 3% for 2016. This is coupled with growing income inequality. With US adopting protectionism and its growth slipping further, global trade activities will continue to dampen.
- Discuss the relative effectiveness of an exchange rate policy and supply-side policies in addressing the above challenges for Singapore. [25]

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