



SERANGOON JUNIOR COLLEGE JC2 Preliminary Examination

**ECONOMICS
Higher 2**

9757/02

Paper 2

18 September 2018

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 Section B.

Start your answers to each essay question on a new sheet of writing paper.
At the end of the examination, 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 the three chosen questions must be from this section.

- 1 The rising price of healthcare is coming under closer scrutiny as medical inflation rate climbed up to 15% in 2015.
 - (a) Explain the role of prices in addressing the fundamental problem of economics. [10]
 - (b) Discuss the relative importance of demand and supply factors in influencing Singapore's medical inflation rate. [15]

- 2 Falling labour productivity squeezes the profits of firms as their earnings fail to keep pace with rising labour costs. Fourth-quarter profits ~~for of~~ US's top 500 companies have fallen to the lowest in two years.

Source: adapted from *cnn.com*, 17 February 2015.

Assess the extent to which the type of market structure ~~can influence the sustainability~~ determines the survival of a firm given a fall in labour productivity. [25]

- 3
 - (a) Using relevant examples from the goods and services market, explain how imperfect knowledge and asymmetric information lead to market failure. [10]
 - (b) Evaluate the measures that are currently used by the Singapore government to correct these sources of market failure. [15]

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Section B

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

- 4 In the past decade, we have seen an explosion of technological advances in the way we work, live and play. Whilst this has impacted economic growth, some gains from technology do not always show up in the growth numbers.
- (a) Explain the factors that can affect sustainable economic growth of a country. [10]
- (b) Discuss the problems associated with using gross domestic product (GDP) as a measure of the standard of living of a country and why it might be increasingly challenging to rely on GDP for this purpose. [15]
- 5 Explain why a government should be concerned with deflation and assess the relative effectiveness of alternative demand-side policies that a country could adopt to tackle this problem. [25]
- 6 In recent years, the globalisation trend witnessed both threatening protectionist moves and increasing attempts at free trade agreements and economic cooperation. In Singapore, additional challenges are posed to its fundamental shift to become a mature economy with a high rate of local innovation.
- (a) Explain why in some cases protectionism may be justified. [10]
- (b) Discuss how a country like Singapore should increase its competitiveness in a globalised world which might become increasingly protectionist. [15]

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