

National Junior College
Humanities Department (Economics)

Preliminary Examinations for General Certificate of Education Advanced Level
2008 JC2 H2 Economics (Syllabus 9732)

ECONOMICS
Higher 2

9732/2

Paper 2 Essay

21 August 2008

2 hour 15 min

Additional Materials: Answer Booklet / Paper

READ THESE INSTRUCTIONS FIRST

Write your name and subject class 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 diagrams, graphs or rough working.

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.

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

At the end of the examination, fasten all your work securely with the cover page given.

Fill in the necessary information on the cover page.

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

This document consists of **3** printed pages.

Answer **three** questions in total.

Section A

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

- 1** “In the background of rising oil prices and current economic conditions, Singapore Airlines (SIA) announced that it will remove the economy seats from its non-stop flights to the United States. If economy-class travellers want to fly Singapore Airlines to America, they will have to stop over in Frankfurt, Tokyo or Taipei, increasing travel time by as much as six hours.”

The Straits Times, 5th Mar 2008

- (a) Explain the concepts of price elasticity of demand and income elasticity of demand. [10]
- (b) Assess the relevance of these elasticity concepts in explaining SIA's decision to discontinue its non-stop economy-class flights to America. [15]

- 2** Four manufacturers of a traditional Chinese cupcake (Fa Gao), thought they could have their cake and eat it as well. The four, among the biggest manufacturers of Fa Gao and which together corner half the market here, had agreed to jointly raise the selling price of the cakes. The collusion landed them in hot water with the competition watchdog.

Adapted from The Straits Times, 16th April 2008

- (a) Explain the factors that affect the above pricing behaviour. [10]
- (b) Discuss the view that collusion is not beneficial to society. [15]

- 3** “Beijing has settled on a plan to ground half of its cars to alleviate air pollution and traffic congestion in the Chinese capital during the August Olympic Games. The temporary limit barred cars with licence plate numbers ending in odd or even numbers from entering the city on alternate days.”

The Straits Times, 24th January 2008

- (a) Explain how the situation described above is an example of market failure. [10]
- (b) Discuss whether this partial banning of cars from entering the city is the best solution to alleviate air pollution and traffic congestion in Beijing. [15]

Section B

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

- 4** “India, which is keen to sign a Free Trade Agreement (FTA) with China, is increasingly open to foreign competition and is attracting increasing amounts of overseas funds. The economy was boosted by growth in the tourism and financial sectors, and a strong manufacturing performance. High oil prices and sluggish exports failed to dampen growth.”

BBC News, 30th November 2005

- (a) Explain how changes in injections may affect a country’s ability to achieve sustained economic growth. [10]
- (b) Discuss the extent to which the use of monetary policy may be preferred over other macroeconomic policies in achieving the macroeconomic aim of sustained economic growth in India. [15]

- 5** Discuss the view that a strong Singapore dollar policy has been the most appropriate policy in overcoming the main economic problems faced by Singapore in recent years. [25]

- 6** “On the trade front, Singapore’s network of 13 Free Trade Agreements (FTAs) with countries ranging from USA to China has exposed Singapore to a myriad of benefits like tariff concessions and faster entry into markets.”

Adapted from www.iesingapore.gov.sg

- (a) Analyse the impact of such Free Trade Agreements on Singapore. [12]
- (b) To what extent can the policies currently adopted by the government help Singapore cope with the negative impact of such Free Trade Agreements? [13]

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