



TAMPINES MERIDIAN JUNIOR COLLEGE

JC2 PRELIMINARY EXAMINATION

H2 ECONOMICS

9570/02

Paper 2

13 September 2024

2 hours 30 minutes

Additional materials

Two Answer Booklets

READ THESE INSTRUCTIONS FIRST

Write 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 an HB pencil for any diagrams, graphs or rough working.

Do not use staples, paper clips, 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.

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

Begin each Section on a **new** answer booklet.

Submit Section A and Section B **separately**.

Answer **three** questions in total.

Section A

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

- 1** In situations involving public goods or where consumers lack information, reliance on price signals alone will not achieve allocative efficiency. Yet government intervention is not without its problems. For instance, the use of e-cigarettes is still rising in Singapore despite its government having already imposed a ban.

 - (a)** Explain why public goods and consumers lacking information can each result in market failure. [10]
 - (b)** Discuss whether government intervention to correct such market failures should be minimised since they can be costly and ineffective. [15]
- 2** The Electric Vehicle (EV) Early Adoption Incentive scheme which has been extended till end of 2025 enables owners who register new fully electric cars to enjoy lower additional registration fees, the main tax imposed upon registering a vehicle in Singapore. Growing environmental concerns among consumers have also raised demand for EVs.

 - (a)** Explain how the price mechanism can allocate scarce resources efficiently in a free market for electric vehicles when there is a rise in demand. [10]
 - (b)** Using relevant elasticities of demand, discuss how the combined effects of EV Early Adoption Incentive Scheme and growing environmental concerns might change consumers' expenditure on electric vehicles and petrol vehicles respectively. [15]
- 3** Changing market conditions can influence firms' decisions on whether to enter or exit the industry. Firms also consider strategies such as price discrimination or innovation to increase their profits.

 - (a)** Explain why, in theory, firms may be attracted to enter an industry while in other industries, existing firms may choose to shut down and eventually exit. [10]
 - (b)** Discuss whether price discrimination or innovation is the more appropriate strategy for firms when consumers' incomes are falling. [15]



Section B

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

- 4** Ageing population and climate change are global challenges. The Singapore government will be increasing its spending on health and aged care while supporting its green transition by investing in clean technologies. Carbon tax will also be increased progressively to encourage decarbonisation.
- (a) Explain how an ageing population and climate change could affect Singapore's standard of living. [10]
- (b) Discuss whether efforts by the Singapore government would contribute to sustainable growth without compromising on fiscal sustainability in Singapore. [15]
- 5** While most central banks today conduct monetary policy by changing domestic interest rates, the Monetary Authority of Singapore (MAS) manages the Singapore dollar exchange rate. In response to rising inflation, MAS has tightened its monetary policy five consecutive times starting in October 2021.
- (a) Explain how changing the domestic interest rates can affect the inflation rate and exchange rate of a country. [10]
- (b) Discuss the factors that could influence the appropriateness of managing the exchange rate to ensure price stability in Singapore. [15]
- 6** Critics believe globalisation is an irreversible process. Yet countries have turned to protectionism to tackle the drawbacks of globalisation such as structural unemployment and trade deficits.
- (a) Explain the factors that drive globalisation. [10]
- (b) Discuss whether protectionism or supply-side policies are the more effective solution to address structural unemployment and a large trade deficit faced by a country. [15]

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