



**JURONG JUNIOR COLLEGE
JC2 PRELIMINARY EXAMINATION 2018**

ECONOMICS

Higher 2

9757/02

Paper 2

10 September 2018

2 hours 15 minutes

READ THESE INSTRUCTIONS FIRST

Write your name and 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 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 each essay answer on a fresh sheet of writing paper and indicate questions attempted clearly on answer sheet.

Fill in the necessary information on the cover sheet.

At the end of the examination, fasten all your work securely **with the cover sheet at the top**.
The number of marks is given in brackets [] at the end of each question or part question.

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

[Turn over

Answer **three** questions in total.

Section A

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

- 1** Increasing affluence and hectic lifestyles have led to an increase in demand for on-the-go beverages as well as organic and regular baked products like bread rolls and croissants. Organic baked products differ from regular baked products in that they use organic wheat, which contains lower protein content and is healthier. Meanwhile, bakeries producing organic baked products are concerned with rising prices of organic baking ingredients.

Discuss how the above events may affect the revenue earned from the sales of organic baked products, as well as the prices and quantities of products that are related to organic baked products. [25]

- 2** Grab has taken over Uber's operations in Southeast Asia. Upon investigation, the Competition and Consumer Commission of Singapore has decided that the Grab-Uber merger would make the private hire car market less competitive and hurt consumers. As a result, it has proposed financial penalties on Grab and Uber.

(a) Explain the benefits and costs of the merger to Grab. [10]

(b) Discuss the economic justifications for the intervention by the Competition and Consumer Commission of Singapore (CCCS) to protect consumers when firms decide to merge. [15]

- 3** There is considerable debate over the need for government to continue to provide cash grants to consumers and intervene in markets which fail.

(a) Using examples, explain why inequity and the existence of positive externalities will lead to market failure. [10]

(b) Discuss whether government providing cash grants to consumers is the best way to correct for both these types of market failure in Singapore. [15]

Section B

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

- 4** Japan's debt-to-GDP ratio, at 240.3%, is the highest among developed countries, the result of growing year-on-year fiscal deficits since the early 1990s. However, fixing the budget has taken a backseat as Japan continues to struggle with deflation and a rapidly ageing population.
- (a)** Using production possibility curves and AD/AS analysis, explain how Japan's ageing population would affect its economy. [10]
- (b)** Discuss whether the Japanese government should be more concerned with deflation or its growing fiscal deficit in light of its ageing population. [15]
- 5** **(a)** Explain the internal and external factors that may result in a country's failure to achieve internal price stability. [10]
- (b)** Discuss whether the supply-side policies of promoting research and development (R&D) and infrastructure development can achieve various macroeconomic objectives. [15]
- 6** Discuss the possible impact of globalisation on developed and developing economies and the policy measures that the Singapore government could adopt in response to the threats of globalisation. [25]

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