



CATHOLIC JUNIOR COLLEGE

JC2 Preliminary Examination

Higher 2

ECONOMICS

9570/02

Paper 2

9 September 2024

Additional Material: Answer Booklet

2 hours 30 minutes

READ THESE INSTRUCTIONS FIRST

An answer booklet will be provided with this question paper. You should follow the instructions on the front cover of the answer booklet. If you need additional answer paper, ask the invigilator for a continuation booklet.

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 a new question on a fresh page.

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 your three chosen questions must be from this section.

- 1 Several major firms dominate the electric vehicle market, including Tesla, Build Your Dreams, Nio, and General Motors. Tesla's financial success and continuous innovation make it challenging for new entrants to compete effectively.
 - (a) Explain how economic theory suggests firms would set prices to maximise profits and why electric vehicle firms may charge different prices for the same good in different markets.
[10]
 - (b) Discuss whether an electric vehicle firm's profit level is always due to the presence of high barriers to entry.
[15]
2. High electricity prices in the United States have encouraged some households to switch to solar energy. With advanced production capabilities, the sales volume of residential-use solar panels soared. To meet its target of solar energy transition, the government is considering providing direct subsidies through cash grants to households.

Source: Energy.gov 2023

- (a) Explain the reasons for the observed change in sales volume of residential-use solar panels.
[10]
 - (b) Discuss the factors the government of United States should consider when deciding if direct subsidies should be used to meet its solar energy transition target.
[15]
- 3 The pharmaceutical industry is dominated by a few large companies such as Pfizer, Johnson & Johnson, and Merck. Consumers also face imperfect information, particularly in understanding that branded and generic drugs can be similar in efficacy and safety.

- (a) Explain how market dominance and information failure may lead to market failure.
[10]
- (b) Discuss the extent to which government policy measures are likely to address the above sources of market failure.
[15]

Section B

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

- 4 China's economy is being undermined by a confluence of factors. A massive downturn in the property market and ongoing trade tensions have affected demand. Furthermore, demographic shifts toward an aging population as well as the rapid adoption of Artificial Intelligence further dampen economic activity.

Source: The Economist, 2023

- (a) Explain why governments seek to achieve low unemployment and a healthy current account balance.
[10]
- (b) Discuss the relative effectiveness of policies to address unemployment in China.
[15]

- 5 Since March 2022, the United States Federal Reserve has raised its interest rate 11 times, from 0.25% to 5.50%, to ease high inflation stemming from increases in household demand and supply-chain disruptions.

Source: CNBC, 2023

- (a) Explain how the above-mentioned factors may have caused the rate of inflation to rise in the United States.
[10]

- (b) Discuss whether the rise in the United States interest rates will have positive or negative effects for small and open economies such as Singapore. [15]

- 6 President Joe Biden believes that the government needs to fight for American workers and companies in an increasingly competitive global environment that has eroded America's comparative advantage.

Source: The Washington Post, 2023

- (a) Explain why a country's comparative advantage may change over time. [10]
- (b) Discuss whether protectionist policies are the best way to deal with the problems arising from a loss of comparative advantage in an economy. [15]

END OF PAPER

BLANK PAGE