



MERIDIAN
JUNIOR COLLEGE

JC 2 PRELIMINARY EXAM 2008

9732/02

**ECONOMICS HIGHER 2
Paper 2**

**9 September 2008
2 hours 15 minutes**

Additional materials: Answer Booklet/Paper

READ THESE INSTRUCTIONS FIRST

Do not open this booklet until you are told to do so.

Write your name, class and register number on all the work you hand in.

Write in dark blue or black pen.

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.

At the end of the examination, fasten all your work securely together.

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

[Turn Over]

Answer **three** questions in total

Section A

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

- 1 Demand for the Olympic tickets was so high that more than 50,000 people were waiting in queue at one ticketing office selling part of the last batch 250,000 tickets that was released. Beijing police have already detained 60 touts accused of selling tickets for up to 100 times their face value.

Times Online, 25th July 2008

- (a) Using demand and supply analysis, account for the emergence of the black market for Olympics tickets. [10]
- (b) Discuss the usefulness of the concepts of price elasticity of demand and income elasticity of demand to a supplier of Olympic merchandise. [15]

- 2 In 2005, London Energy stated that as a company, it invested millions of pounds in research and development but it would take about two years before the factories were running efficiently.

Adapted from BBC News 5/4/2008

- (a) Explain how London Energy's investment affects its profits in the short run and long run. [10]
- (b) As the government has decided to introduce more competition in the industry, London Energy has ceased to be a monopoly supplier. Discuss how its profits and efficiency would change as a result of this. [15]

- 3 "Since 1972, the Ministry of Environment has undertaken the task of sustaining a clean and healthy environment for all in Singapore."

Illustrating your answer with examples, assess the need for the Singapore government to change its current policies to bring about cleaner air. [25]

Section B

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

- 4 (a) It is feared that if the government increases taxes, the level of national income will fall. Explain whether this is necessarily true. [12]
- (b) Discuss whether a fall in the level of national income is a good indicator that there has also been a decline in the standard of living in the country. [13]
- 5 (a) Explain how monetary and fiscal policies can be used to increase aggregate demand. [10]
- (b) In recent years in Singapore, much greater emphasis has been given to the supply-side effects of fiscal policy. Evaluate the view that fiscal policy is only useful for its impact on the supply side of the Singapore economy. [15]
- 6 "Free trade has benefited most but not all. Structural unemployment and rising income inequality are some of the results of free international trade. These problems can be resolved with the use of protectionistic measures."

To what extent do you agree with the above proposition? [25]