



TEMASEK JUNIOR COLLEGE

2024 JC2 PRELIMINARY EXAMINATIONS

Higher 2



ECONOMICS

9570/02

Paper 2

10 September 2024

2 hours 30 minutes

Additional Materials: **six 4-page** answer booklets

READ THESE INSTRUCTIONS FIRST

Answer booklets 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.

Begin each question on a fresh answer booklet.

Indicate the question number clearly in your answers.

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 On the back of a weaker yen, the prices of hotel accommodation have surged as more tourists are visiting popular attractions such as islands and heritage sites in Japan. In response, local governments in Japan are considering implementing a tourist tax on these places to help deal with overtourism.
 - (a) Explain **two** possible reasons for this surge in the prices of hotel accommodation in Japan. [10]
 - (b) Assess the combined effects of the implementation of a tourist tax and a rise in incomes on consumer expenditure of different types of hotel accommodations. [15]

- 2 National defence has been used as an example of public good while research and development (R&D) is an example of a production activity that generates positive externality. To promote R&D, the government is considering the enforcement of patents. However, there are concerns that this could prevent potential competitors from entering the industry.
 - (a) Explain why national defence and R&D, if left to market forces, might be allocated inefficiently. [10]
 - (b) Discuss the factors that a government should consider when deciding to enforce patents to achieve a more efficient allocation of resources in the market for R&D. [15]

- 3 The electricity industry in Singapore used to be a monopoly until 1998, where the government intervened in the industry. The industry has since faced several challenges, with an increase in prices of oil and gas in 2021 leading to several electricity retailers ceasing operations.
 - (a) Explain how the rising costs of oil and gas would affect electricity retailers and how it would influence their decision to cease operations. [10]
 - (b) Discuss whether government intervention in Singapore's electricity market would necessarily improve consumer outcomes. [15]

Section B

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

- 4** As part of its efforts to tackle climate change, Singapore will be spending US\$20 million to construct the world's largest facility to boost the ocean's ability to absorb carbon dioxide (CO₂) from the atmosphere. Meanwhile, the US spent US\$3 billion to install zero emissions equipment and technology to reduce air pollution at ports.
- (a) Explain how an increase in government expenditure can lead to a bigger change in national income and how such spending may have different impacts on aggregate demand for two different countries. [10]
- (b) Assess whether an increase in government expenditure is likely to be the best policy to attain inclusive and sustainable growth in Singapore. [15]
- 5** Consumer prices in Singapore rose by 6.1 percent in 2022, the fastest rate of increase since 2008. This dramatic rise in inflation was driven by a range of factors – the global economic rebound, and global supply chain disruptions.

Source: Monetary Authority of Singapore, Jan 2023

- (a) Explain how the global economic rebound and global supply chain disruptions might have consequences on Singapore's aggregate demand and aggregate supply. [10]
- (b) Assess whether the policies designed to achieve price stability would inevitably result in trade-offs for Singapore's economy. [15]
- 6** The Regional Comprehensive Economic Partnership (RCEP) is the first free trade agreement (FTA) among the largest economies in Asia, including China, Indonesia, Japan and South Korea. The 15 RCEP participating countries represent almost half of the world's population and a total of 30 per cent of global GDP.
- (a) Explain **one** benefit and **one** cost of the removal of tariffs on consumers and producers. [10]
- (b) Discuss the likely impact of signing a free trade agreement (FTA) on an economy. [15]

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