



ST. ANDREW'S JUNIOR COLLEGE
PRELIMINARY EXAMINATIONS – 2018 (JC2)
General Certificate of Education Advanced Level
Higher 2

ECONOMICS

9757/02

Paper 2

11 September 2018

2 hours 15 minutes

Additional Materials: Answer Paper

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 question on a fresh sheet of paper.
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.



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

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[Turn Over]

Answer **three** questions in total.

Section A

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

1. Besides possessing dominant positions in many of the world's most important markets, budget airlines are stealing passengers from full-service carriers. Fierce cost-cutting, unbundling of services as well as booming economies of the developing world are but some contributing factors to the roaring success of budget airlines. Last year, for the first time, they carried more than one billion fliers – nearly 30% of the 3.7 billion who took to the air.

Adapted from The Wall Street Journal, Aug 2017

- (a) Explain the factors that determine the price elasticity of demand, income elasticity of demand and cross elasticity of demand for a good. [10]
 - (b) Discuss the relative importance of the above demand elasticity concepts in explaining the rise in popularity of budget airlines among air travelers in the past decade. [15]

2. A firm's level of profits tends to rise and fall with dynamic changes in the global economy.
 - (a) Explain whether a firm will continue to operate in the short run when faced with a rise in various types of costs. [10]
 - (b) Globalisation is likely to change the market structure a firm operates in and the level of its profits. Discuss. [15]

3. In the US and UK, public libraries have been facing cuts in government funding and there is a rise in the number of public library closures. In Singapore, the National Library Board (NLB) has been revamping old libraries and opening new ones. In 2017, the government provided an operating budget of \$246.97 million to NLB.

Explain whether governments should fund public libraries and discuss the factors that governments should consider when allocating resources to public libraries. [25]

Section B

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

4. Discuss the extent to which conflicts in government macroeconomic objectives limit the scope for the use of macroeconomic policies. [25]
5. (a) Explain how a country's deficit on its balance of payments could affect its standard of living. [10]
- (b) Discuss how best a government should address potential concerns arising from a persistent deficit on its balance of payments. [15]
6. "Rising protectionism in the West has become a threat to Asia's prosperity." Tommy Koh, ambassador-at-large for Singapore's Ministry of Foreign Affairs, Credit Suisse 2017 Global Megatrends Conference.
- (a) Explain why protectionism exists. [10]
- (b) Discuss whether the Singapore government's approach towards international trade should be adjusted in view of rising worldwide protectionism. [15]