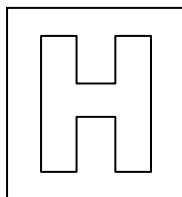


Candidate Name: \_\_\_\_\_

Class    Adm    No

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## 2024 Preliminary Exams Pre-University 3

**ECONOMICS**

**9570/02**

Paper 2: Essays

**16 September 2024**

**2 hours 30 minutes**

Additional Materials: Answer Booklet

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### 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 or graphs.

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.

You are reminded of the need for clear presentation in your answers.

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 paper, ask the invigilator for a continuation booklet.

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

Answer **three** questions in total.

### Section A

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

- 1** In 2021, in response to a large rise in residential property prices, the Singapore government raised the Additional Buyer's Stamp Duty (ABSD). This is a tax that buyers must pay for purchases of residential properties. The authorities also pledged to increase the supply of both public and private housing to meet demand.

*Source: Monetary Authority of Singapore, December 2021*

- (a) Explain why there might be a large rise in residential property prices in Singapore. [10]
  - (b) Discuss the effectiveness of the above measures to ensure that the residential property prices remain stable in Singapore. [15]
- 2** Economists usually assume that the objective of firms is to maximise its profits. However, firms sometimes engage in pricing and non-pricing strategies that lead to lower profits.
- (a) Explain why pricing and non-pricing strategies adopted by firms might lead to lower profits. [10]
  - (b) Discuss whether a firm's objective is the main determinant of its price and output decision. [15]
- 3** Health insurance helps pay for health care costs in the event of an injury, illness or disability. While some countries implement a compulsory health insurance scheme for all citizens, it is not considered a public good.
- (a) Explain why health insurance is not considered a public good and why information failure might cause the market for health insurance to fail. [10]
  - (b) Discuss the measures that a government can implement to address the different market failures caused by information failure in the health insurance market. [15]

**Section B**

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

- 4 Governments have aims in relation to employment and the balance of trade.
- (a) Explain the consequences of failing to achieve these aims. [10]
  - (b) Discuss whether failure to achieve these macroeconomic aims is more likely to be caused by internal or external factors. [15]
- 5 Singapore's standing as a trusted hub for business and a critical global supply chain node has helped to attract a record \$22.5 billion in foreign direct investments (FDI) driven by the electronics sector.
- (a) Using the circular flow of income model, explain how investments lead to a multiplied increase in national income. [10]
  - (b) Discuss the extent to which such FDI inflows would be beneficial to Singapore's standard of living. [15]
- 6 While Singapore has an extensive network of 27 implemented agreements with bilateral and regional free trade agreements (FTAs), the future of Singapore's economy will also depend heavily on its ability to use science, technology and innovation.
- (a) Explain the benefits of international trade to consumers and producers. [10]
  - (b) Discuss whether the signing of FTAs is the best way to ensure that Singapore continues to benefit from international trade. [15]

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