



TEMASEK JUNIOR COLLEGE
Preliminary Examination 2014
General Certificate of Education Advanced Level
Higher 2

ECONOMICS

9732/02

Paper 2: Essay Questions

15 September 2014
2 hours 15 minutes

Additional Materials: Answer Paper, Cover Page

READ THESE INSTRUCTIONS FIRST

Do not turn this page over until you are told to do so.

Write your name, CG, centre and index numbers 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.

Begin each essay on a separate sheet of answer paper.
At the end of the examination, fasten your work for **each essay separately**.
The number of marks is given in brackets [] at the end of each question or part question.

This document consists of **2** printed pages

Answer **three** questions in total.

Section A

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

- 1 (a) Using the concept of opportunity cost, explain why countries trade. [10]
 (b) In Singapore, the government levies a sales tax on cigarettes and tobacco products and it is amongst the highest in the world. In contrast, the Chinese government levies a comparatively lower sales tax and an additional import duty on cigarettes and tobacco products. Assess the economic case for these two different approaches. [15]

- 2 Casual video game publisher G5 Entertainment has reported growth of 500% in mobile game downloads in 2011. Mobile games tend to be cheap or free with game upgrades that can be bought. That makes a mobile game cheaper than a \$60 console game.
Adapted from: News10, 29 Feb 2012
 (a) Using relevant economic concepts, explain the likely reasons for the proliferation of mobile games downloads. [10]
 (b) Assess how related markets might be affected by the growth in mobile gaming. [15]

- 3 The theory of natural monopoly has been criticised as an excuse for defending monopolistic privileges, and has no place in the 21st century. Explain the “theory of natural monopoly” and discuss the extent to which the statement is valid for the case of 21st century Singapore. [25]

Section B

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

- 4 ‘The Monetary Authority of Singapore’s [MAS] traditional defence of a strong Singapore dollar policy is built on balancing imported inflation against export competitiveness.’
The Straits Times, 29th July 2014
 Assess the extent to which an improvement in the living standards of an economy requires that managing inflation be the top economic priority. [25]

- 5 In response to the global financial and economic crisis that started in 2008, countries around the world embarked on an unprecedented level of intervention with the aim to keep the economy buoyant and stop a full-scale assault on the labour market.
 (a) Explain the major macroeconomic indicators used by the government of Singapore to guide economic policy decisions. [10]
 (b) Discuss the view that short-term fiscal interventions create more problems than they solve. [15]

- 6 (a) Explain the impact of a quota on a small, open economy. [8]
 (b) Assess the threats and opportunities presented by the openness of the Singapore economy. [17]