



SERANGOON JUNIOR COLLEGE

JC2 Preliminary Examination

ECONOMICS
Higher 2

9732/02

PAPER 2

25 August 2014

2 hours 15 minutes

Additional Materials: Answer Paper

READ THESE INSTRUCTIONS FIRST

Write your name and civics group 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 your answers to each essay question on a new sheet of writing paper. Fasten your answers to each section separately.

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

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

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** As the Singapore economy was just emerging from the recession, the Ministry of Manpower (MOM) announced that foreign worker levy rates will be gradually increased from 2012 to 2013.
- Discuss how the rise in foreign worker levy rates and the emergence from recession will impact the various markets for goods and services in Singapore. [25]
- 2** (a) Explain how the marginalist principle is applicable to the behaviour of a firm. [8]
- (b) The key strategy for firms to protect their profits in the short run and long run in the real world is through lowering prices to keep potential rivals from entering the industry. Comment. [17]
- 3** (a) Using a cost-benefit approach in the context of externalities, explain why the free market may not function efficiently. [10]
- (b) Discuss whether the Singapore government should prioritise the above problem over other sources of market failure. [15]

Section B

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

- 4** Singapore's labour productivity growth averaged about 1% per annum, a rate on par with that of other developed countries. Productivity gains have declined in recent years due to heavier reliance on labour inputs, especially inputs of foreign manpower.

Source: ESC Subcommittee Report on Fostering Inclusive Growth

- (a) Explain how the Singapore government can increase labour productivity in the economy. [8]
- (b) Discuss whether improving labour productivity is the most appropriate measure to improve the economic performance in Singapore. [17]

- 5** China's growth slows to 7.6%, the slowest in three years.

Source: *The Straits Times*, 14 July 2012

To what extent does the slower economic growth in China affect the economies of Singapore and the USA? [25]

- 6**
- (a) Using the principle of comparative advantage and real-world examples, explain why you would support free trade. [10]
 - (b) 'The main concern of globalisation is that it brings about cyclical fluctuations to an economy's circular flow of income.' Discuss. [15]

End of Paper