

ANGLO-CHINESE JUNIOR COLLEGE
2014 JC2 PRELIMINARY EXAMINATIONS



ECONOMICS

9732/02

Higher 2

3 September 2014

Paper 2: Essay Questions

2 hours 15 minutes

Additional materials: Answer paper

READ THESE INSTRUCTIONS FIRST

Write your index number and name 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/tape.

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** sheet of paper.

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

At the end of the examination, arrange your answers in sequence of the question number.

Fasten your answers using the cover sheet provided.

This document consists of **3** printed pages and **1** blank page.
Please check that your question paper is complete.

Answer **three** questions in total.

Section A

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

- 1** In Singapore, generous government funds are allocated both for the training of low-skilled workers and for university education, but university students are expected to bear a fair share of the cost of their education.

(a) Explain how the market economy allocates resources in the area of education. **[10]**

(b) Discuss the view that unlike low-skilled workers who are highly subsidised for training, university students should pay for the full cost of their education. **[15]**

- 2** While the US struggles with sluggish economic recovery, retail food prices are expected to rise by 2.5%-3.5% this year, up from 1.4% in 2013. Much of the rise comes from higher meat and dairy prices. In California, the biggest US producer of agricultural products, about 95% of the state is suffering from drought conditions.

Source: Wall Street Journal, 18 March 2014

(a) Explain the combined effect of food cost increases and sluggish economic recovery on the expenditure by US consumers on grocery items such as meat and dairy products. **[10]**

(b) Discuss the policy options that governments may adopt to stabilise food prices. **[15]**

- 3** Pharmaceutical firms protect the intellectual property (IP) rights on their drugs and sue those who try to manufacture and sell patented drugs cheaply. Yet, some of these patent owners rebrand their patented drugs and sell them at lower prices in developing countries.

Assess the economic justifications for the above actions adopted by pharmaceutical firms. **[25]**

Section B

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

- 4** Household final consumption expenditure in 2013 as a proportion of the country's GDP was 38% for Singapore and 69% for USA.

Source: <http://data.worldbank.org/indicator>, accessed 25 July 2014

Discuss whether raising consumption is the best approach for sustaining economic growth. **[25]**

- 5** The problem of jobless youth (15-24 years of age) shows no sign of abating. The global youth unemployment rate was estimated at 13% in 2013, with many countries across the world reporting their youth unemployment rate to be more than twice their national unemployment rate.

(a) Explain why youth unemployment is of concern to governments. **[10]**

(b) Discuss whether the openness of an economy is a significant determinant in the choice of policies to deal with youth unemployment. **[15]**

- 6** "One reason for the decline in traditional protectionism is that countries hit by recession are able to let their exchange rates fall."

Source: The Economist, 12 October 2013

(a) Explain why a country might get into balance of payments deficit due to a recession in another part of the world. **[10]**

(b) Assess the view that in correcting balance of payments deficit, letting the exchange rate fall is a more appropriate policy than adopting traditional protectionism. **[15]**

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