



ECONOMICS

Paper 2: Essay Questions

9732/02

**Friday 28 August 2015
2 hours 15 minutes**

Additional Materials: Answer Paper, Cover Sheet

READ THESE INSTRUCTIONS FIRST

Write your Centre number, index number, CG and name on all the work you hand in.

Write in dark blue or black pen.

You may use a HB pencil for any diagrams or graphs.

Do not use staples, paper clips, glue or correction fluid.

Hand in your answer scripts to each question separately.

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

Answer **three** questions in total, of which **one** must be from Section A, and **one** from Section B and **one** from either Section A or Section B

Begin each question on a fresh sheet of paper.

At the end of the examination, fasten each question separately and securely together.

Write down the question number of the questions attempted on the cover sheet and place it on top of your answer scripts when you hand in. Do not fasten the cover sheet to any of your answer scripts.

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** Growing affluence in emerging markets like China and Vietnam has led to rising tourist numbers in Singapore. However, the higher foreign worker levy has resulted in higher cost of operations for hotels. At the same time, the rise of Airbnb, a company that helps people rent out private accommodation has resulted in greater choice for travellers.

Discuss the likely combined impact of the above factors on the revenue of different hotel markets in Singapore. [25]

- 2**
- (a) With the aid of a diagram, explain how price discrimination benefits producers, consumers and society [10]

(b) Discuss whether in the real world, all firms big and small, aim to produce at their profit maximising output levels. [15]

- 3**
- (a) Explain how consumers and producers in the process of maximising their own welfare enable the problem of scarcity to be managed in a free market [10]

(b) Discuss whether government intervention is always necessary to ensure that scarce resources are allocated in the most efficient manner. [15]

Section B

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

- 4**
- (a) Explain the possible economic trade-offs faced by a small and open economy [10]

(b) Discuss the effectiveness of the policies currently adopted by the Singapore government to manage these trade-offs [15]

- 5** According to data from the World Bank, 2014 GDP (PPP adjusted) figures were US\$17.6 trillion and US\$17.4 trillion dollars for China and USA respectively. However if GDP statistics are not adjusted for cost of living, the U.S. economy still dwarfs China's, at US\$17.4 trillion versus US\$10.4 trillion

(a) Explain the indicators that could be used to complement or replace GDP, when measuring the various aspects of standards of living [10]

(b) Discuss the problems of using PPP adjusted GDP in making international comparisons of the various aspects of living standards between these two countries. [15]

- 6** The US's massive and sustained trade deficit is a long term macroeconomic problem that is caused primarily by China's currency manipulation. Hence, imposing protectionist measures against Chinese imports is not only fair but also effective and beneficial. Do you agree? [25]