



NATIONAL JUNIOR COLLEGE
SH2 Preliminary Examinations for General Certificate of Education Advanced Level
Higher 2

ECONOMICS

9732/02

Paper 2: Essay Questions

27 August 2015

2 hour 15 minutes

Additional Materials: Answer Paper

READ THESE INSTRUCTIONS FIRST

Write your name and subject class on all the work you hand in.
Write in dark blue or black pen.
You may use an HB pencil for any diagrams or graphs.
Do not use staples, paper clips, glue or correction fluid.
DO **NOT** WRITE IN ANY OF THE MARGINS.

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 each question on a **new** piece of paper.

At the end of the examination, fasten all your work securely with the cover pages given [**one cover page for each question**].
Fill in the necessary information on the cover pages.

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

This document consists of **7** printed pages; including 1 blank page and 3 cover pages.

Answer **three** questions in total.

Section A

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

- 1** In recent years, prices of residential properties have risen at a much faster rate as a result of rapid economic growth. One of the cooling measures by the Singapore government is the release of more land for the development of private residential properties.

(a) Compare the possible effects of economic growth on the prices of different types of residential properties. [12]

(b) Discuss the usefulness of demand elasticity concepts in explaining how the above cooling measure might affect consumers' expenditure on different types of residential properties in Singapore. [13]

- 2** (a) Explain why prices in an oligopolistic market tend to be more stable than that in a perfectly competitive market when faced with an increase in costs of production. [10]

(b) Companies often find it more profitable to charge different prices for the same product to different groups of consumers.

Discuss whether it is beneficial to society for firms in an oligopolistic market to adopt the above approach. [15]

- 3** In the UK, primary and secondary education in the state schools is provided free of charge whereas in Singapore, all school pupils are required to pay school fees which are highly subsidised.

Explain why government intervention is advocated in the market for education and assess the economic case for the different approaches in the UK and Singapore. [25]

Section B

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

- 4** (a) Explain the trade-offs in macroeconomic objectives that Singapore is likely to face when it allows the exchange rate of the Singapore dollar to appreciate. [10]
- (b) Discuss the alternative macroeconomic policies that the Singapore government can adopt to tackle these trade-offs. [15]
- 5** “In a severe economic recession, such as that experienced by the US in 2008, households should not be encouraged to save and the use of monetary policy may lose its traction.”
- (a) Explain why households should not be encouraged to save during an economic recession. [10]
- (b) Discuss whether the use of monetary policy is the least appropriate in trying to pull the US economy out of a recession. [15]
- 6** Discuss the view that the extent to which countries benefit from globalisation depends mainly on the type of comparative advantage that the country has. [25]

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