



---

## ECONOMICS

**9732/02**

Paper 2: Essay Questions

**15 September 2016**

**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 centre number, index number, name and CG on all the work you hand in.

Write in dark blue or black pen on both sides of the paper.

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

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 all your work securely together with the cover page.

Write the number of the questions attempted on the cover page.

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

---

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** The cost for National Day Parade (NDP) 2016 held at the Sports Hub is an estimated S\$39.4 million. Approximately 275,000 Singaporeans are expected to be able to view the preview shows and actual NDP 2016 in person at the Sports Hub. The NDP will also be broadcast 'live' on all free-to-air channels on Aug 9.

- (a) Explain whether the  
       (i) viewing of the NDP at the Sports Hub  
       (ii) 'live' broadcast of the NDP  
       is a public good. [10]
- (b) Assess whether market failure arising from public goods is the main reason for the Singapore government's spending in various markets. [15]

- 2** In 2014, the price of electricity has risen steeply to pay for the government's policies to tackle climate change. The price of household electricity is estimated to rise by as much as 40 per cent while medium-sized businesses is estimated to pay as much as 77 per cent more for electricity by the end of the decade. Meanwhile, the Office for Budget Responsibility forecasts that the UK economy will grow at least 2 per cent each year until 2020.

Source: *The Telegraph*, 14 December 2014

Using economic analysis, discuss the likely impact of these events on UK households and firms. [25]

- 3** Instead of engaging in price wars, firms in the airline industry are currently focusing on improving their profitability. Mergers and strategic alliances are slowly becoming the norm for airlines who are focusing on cost cutting and excess capacity reduction, in order to combat business risks arising from increasing fuel prices and recession.
- (a) Explain the possible factors that airlines consider when they make rational decisions to merge. [10]
- (b) Discuss whether firms' strategies are more dependent on their objectives or the business risks. [15]

## Section B

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

- 4** Given our economy's heavy dependence on external demand, the weaknesses and uncertainty in the global economy will pose strong headwinds. Our current business conditions are difficult and uncertain. Many of our firms are facing increasing cost of production from rising manpower costs and tighter financing.

Adapted from Singapore Budget Speech 2016

Discuss how the Singapore government should respond to the above. [25]

- 5 (a)** Explain how fiscal and monetary policies can be used to influence the circular flow of income. [12]
- (b)** In recent years, we have noted that many governments run budget deficits. Discuss whether governments should be concerned with a budget deficit. [13]

- 6** "The economic story of the past quarter century was the rapid advancement of globalisation. It is clear from the results of the Brexit vote that there is a large backlash against the results of globalisation so far. Native-born workers without college degrees are venting their frustrations with immigrants and with factory jobs outsourced abroad that result in structural unemployment."

Source: *The Sydney Morning Herald*, 26 June 2016

- (a)** Explain how the rapid advancement of globalisation has resulted in greater income inequality within a country. [10]
- (b)** Discuss whether protectionism is the best solution for tackling unemployment and income inequality. [15]

