



2016 Preliminary Examination 2

Pre-University 3

ECONOMICS

9732/02

Paper 2: Essay Questions

19 September 2016

Additional Materials: Answer Paper

2 hours 15 minutes

READ THESE INSTRUCTIONS FIRST

Write your name and class 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 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.

At the end of the examination, hand in your answers to the 2 sections together with the cover page on top.

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

This question paper 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** In 2011, the Brazilian government set price caps for gasoline. Most cars in Brazil can run on either gasoline or ethanol. Economic growth in Brazil has averaged just 1.3% over the past four years and price caps can help citizens keep cost of living low, especially in terms of public transport expenses.

Discuss the impact of the abovementioned event on the market of gasoline and other related market in Brazil. [25]

- 2** Price of jet fuel has fallen 70 per cent in past two years, yet average cost of a transatlantic airline ticket was cut by just two per cent over same period.

(a) Explain how firms would determine price and output for their products in the markets. [10]

(b) Discuss whether marketing is more important than pricing policies for the airline industry. [15]

- 3** The Liquor Control Act, which was passed in Parliament in January 2015, aims to minimise public disorder arising from drinking in public. Under the Act, drinking is banned from all public places from 10:30pm to 7am and retail shops are not allowed to sell takeaway alcohol.

(a) Explain why Singapore regulates drinking in public areas. [10]

(b) Assess whether the Liquor Control Act is the best policy in minimising public disorder. [15]

Section B

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

- 4** Discuss the impact of the weakening of a currency and low productivity on different economies. [25]
- 5** Japan's debt sustains a deflationary depression. Government deficits are supposed to stimulate the economy, yet the composition of Japanese public spending isn't particularly helpful. Substantial increases in money supply by the Bank of Japan didn't help much either.
Source: www.bloomberg.com, 4 Jun 2012
- (a) Explain the limitations of expansionary interest rate policy to help alleviate the problem of falling aggregate demand. [10]
- (b) Discuss whether the Japanese government should prioritise tackling deflation over reducing a budget deficit. [15]
- 6** As the global economy continues to face tough times, governments are increasingly playing politics with trade and giving in to protectionism.
Source: www.bbc.com, 17 Sep 2012
- Protectionism is more desirable than globalisation. Discuss. [25]

End of paper

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