



RAFFLES INSTITUTION
2016 YEAR 6 PRELIMINARY EXAMINATION
Higher 2

ECONOMICS

9732/02

Paper 2: Essay Questions

15 September 2016

2 hours 15 minutes

Additional Materials: Answer Paper

READ THESE INSTRUCTIONS FIRST

Write your name, index number and CT 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 diagrams, graphs or rough working.
Do not use 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 answering **EACH ESSAY QUESTION** on a **FRESH SHEET OF PAPER**.

At the end of the examination, fasten your answer to **EACH** question **SEPARATELY**.

Attach this cover sheet to the answer of the **FIRST QUESTION** attempted.

Cover Sheet

Please indicate the questions that you have attempted.

Name : _____
Civics Class : _____
Economics Tutor : _____

Question No.	Marks
Total	

This document consists of **3** printed pages and **1** blank page.



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Answer **three** questions in total.

Section A

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

- 1 In times of uncertain economic outlook, HDB flat owners tend to hold out for a good time to put their flats up for sale in the HDB resale market. In addition, HDB has also scaled down its supply of new HDB flats in the market.

Adapted from TodayOnline, 2nd January 2015

- (a) Explain the role of price signals in the efficient allocation of scarce resources in a market economy. [10]
 - (b) Discuss the impact of the above on the market for HDB resale flats and a related market. [15]
- 2 Important segments of the electric power, natural gas distribution, water and telecommunication industries are generally thought to possess natural monopoly characteristics and are subjected to some form of price and entry regulation, while artificial monopolies such as SISTIC in Singapore had been fined for abusing their market dominance.

To what extent should price regulation be the only form of government intervention in markets where monopolies exist? [25]

- 3 Income inequality remained broadly unchanged over the last three years, with the Gini coefficient at 0.463 in 2015, similar to 0.464 in 2014. This was in part due to government initiatives undertaken to narrow the gap.

Source: CNA, 26th February 2016

- (a) Explain why income inequality is a cause for government intervention. [10]
 - (b) Assess the various policy measures that the Singapore government currently adopts to reduce the income gap and consider whether these policies need to be adjusted. [15]

Section B

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

- 4 In 2014 Singapore's GDP at 2010 prices grew by 2.9%, the total population grew by 1.3%, inflation was 1% and overall unemployment stood at 2%.

Source: <http://www.singstat.gov>, accessed July 2016

- (a) How would you assess whether the standard of living in Singapore has risen? [10]
- (b) Discuss whether the openness of the economy helps in achieving higher standard of living in Singapore. [15]

- 5 The growth forecast for the world economy has been revised downward to 3.3% for 2014. Raising actual and potential growth must remain a priority. Large economies like the US and small, open economies such as Singapore will require continued support from macroeconomic policies in bringing about recovery and long term growth.

Adapted from World Economic Outlook, IMF, Oct 2014

- (a) Distinguish between actual and potential growth. [10]
- (b) Discuss the extent to which size and openness affect the choice of macroeconomic policies adopted by countries in "bringing about recovery and long term growth". [15]

- 6 Anaemic economic recovery has provided an opening for governments to blame foreign trade and foreign workers for the prolonged malaise. This anti-globalization view takes different economic forms: trade barriers, reaction against foreign direct investment, policies favouring domestic workers and firms as well as anti-immigration measures.

Adapted from The Guardian, 2 June 2014

Discuss whether governments should adopt anti-globalization policies in view of the adverse consequences of globalization. [25]