



ST. ANDREW'S JUNIOR COLLEGE
PRELIMINARY EXAMINATIONS – 2017 (JC2)
General Certificate of Education Advanced Level
Higher 2

ECONOMICS

9757/02

Paper 2

14 September 2017

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, graphs or rough working.
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, fasten your answers for each question separately.
The number of marks is given in brackets [] at the end of each question or part question.

This document consists of **3** printed pages.

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[Turn Over]

Section A

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

Question 1

Global sugar prices have rocketed 30% since April as supply lags further behind demand.

Rabobank Sugar Quarterly, 2016

Using demand-supply analysis, explain the possible factors that led to the above outcome and evaluate the relative importance of those factors. **[25]**

Question 2

- (a) Explain how the presence of moral hazard and adverse selection in the market for healthcare insurance in Singapore can result in inefficient allocation of resources. **[10]**
- (b) Discuss the appropriateness of Singapore government's approach in addressing various types of market failure. **[15]**

Question 3

Singapore government has introduced TPG Telecom, which will be Singapore's fourth mobile operator, hoping that more competition will be beneficial. On the other hand, food stalls at most hawker centres continue to face high level of competition without the need for government to introduce more.

- (a) Explain why more competition might lead to lower but greater fluctuation in prices. **[10]**
- (b) Discuss whether government should intervene to prevent firms from gaining larger market share in various markets. **[15]**

Section B

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

Question 4

- (a)** Explain the possible factors that might cause a negative rate of inflation in an economy. **[10]**
- (b)** Discuss whether a negative inflation rate is more worrying than a positive inflation rate for a government. **[15]**

Question 5

Different economists tend to recommend different macroeconomic policies to the government when tasked to address a balance of payments deficit.

Explain the possible causes of a balance of payments deficit and discuss the factors an economist would consider when deciding on his recommendation. **[25]**

Question 6

China signalled its intention to replace US as champion of free trade if US were to build more trade barriers.

- (a)** Explain how an economy can benefit from specialisation and trade. **[10]**
- (b)** In the event that US builds more trade barriers, discuss whether other governments should follow China's footsteps in adopting a policy of greater free trade. **[15]**

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