



PIONEER JUNIOR COLLEGE, SINGAPORE  
JC2 Preliminary Examination 2017  
Higher 2

## ECONOMICS

**9757/02**

Paper 2

19 September 2017

2 hours 15 minutes

Additional Materials: Answer Paper



### READ THESE INSTRUCTIONS FIRST

Write your index number, 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.

Answer each question on a fresh sheet of paper.  
At the end of the examination, fasten your answers to each question SEPARATELY.  
The number of marks is given in brackets [ ] at the end of each question or part question.

If there are part questions you did not attempt, please write the question number and part in the margins before you submit your answers. (*i.e. if you did Q1 and Q2, but you did not complete 2b, indicate 2b in the margin of the answer script that you submit for question 2.*)

You are advised to spend several minutes reading the question and planning your answers before you begin writing.

You are reminded of the need for good English and clear presentation in your answers.

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



Pioneer Junior College



Ministry of Education

Answer **three** questions in total.

### Section A

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

- 1** Oil prices have fallen after the OPEC group of oil producing nations said global crude stocks had risen coupled with Saudi Arabia's production increasing to 10.011 million barrels per day from 9.748 million barrels per day. In addition, a weaker economic outlook means demand for oil in 2017 is likely to grow at a slower rate.

Discuss how the above events are likely to impact the market for oil and its related markets. [25]

- 2** The firm's decisions and strategies are affected by cost, revenue, and threat from existing and potential competitors.

(a) Explain how producers in imperfect markets make rational price and output decision based on cost and revenue consideration. [10]

(b) Discuss the extent to which the behaviour of firms is influenced by the threat of competition. [15]

- 3** The biggest four airlines in America now control 80% of the market. The US Environmental Protection Agency (EPA) has said that greenhouse gases from aircraft endanger human health. Many people in the USA are calling for the use of carbon taxes rather than tradable permits to reduce greenhouse gas emissions.

(a) Explain how negative externality and market dominance can lead to market failure. [10]

(b) Discuss the alternative policies to tackle the above sources of market failure. [15]

**Section B**

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

- 4** Singapore's inflation moderated to  $-0.5\%$  in 2015, from  $1.0\%$  in the preceding year. In October 2015, MAS eased policy further by reducing the rate of appreciation of the policy band slightly, in view of reduced price pressures alongside a weaker growth outlook.

Source MAS Annual Report 2015/16

- (a) Explain the possible causes of deflation in a country. [10]
- (b) Discuss whether exchange rate policy should remain the most important policy in maintaining price stability in Singapore. [15]

- 5** In the US, Japan, UK and much of Europe, there has been no increase in real incomes over the last decade for the median household. This reflects both the intense global competition and the forces of technology that are challenging a growing range of jobs. Singapore faces the same global realities and challenges.

Source: Singapore Budget 2015

- (a) Explain the impact of global competition and technology advancement on a country's aim in achieving inclusive growth. [10]
- (b) Assess the use of fiscal policy by the Singapore government to achieve inclusive and sustainable growth. [15]

- 6** Protectionism is the deliberate attempt by governments to limit imports or promote exports by putting up barriers to trade.

Assess the effects of protectionism on consumers, producers and government. [25]

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