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**2017 Preliminary Examination 2**  
Pre-University 3

**ECONOMICS**

**9732/02**

Paper 2: Essay Questions

**18 September 2017**

**2 hours 15 minutes**

Additional Materials: Answer Paper  
Cover Page

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**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 **separately** with the cover page on top of each section.

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

Answer **three** questions in total.

**Section A**

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

- 1** As urban populations swell, sand has become one of the most extracted materials in the world. With extensive use in construction and industrial production, existing sand deposits are being depleted. As such, some countries have closed mines and banned exports. At the same time, prices of alternative products such as wood have fallen.
- Discuss the demand and supply factors and their relative importance in determining the output of sand in the global market. [25]
- 2** (a) Explain the determinants of firms' decision on whether to merge. [10]
- (b) Assess the extent to which government intervention is needed when a firm dominates the market. [15]
- 3** (a) Using examples, explain why the market fails in the case of demerit goods. [10]
- (b) Discuss whether the current policies adopted by the Singapore government to deal with demerit goods are sufficient given the changing demographics. [15]

**Section B**

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

- 4** The rising cost of foreign package holidays and imported computer games helped to push the UK inflation rate up to 2.9% last month from 2.7% in April. The latest inflation rate is the highest since June 2013, and above the Bank of England's 2% target. The pick-up in inflation is likely to continue the squeeze on consumers.  
*The Guardian, 13 June 2017*
- (a) Explain how firms and households are affected by inflation. [10]
- (b) Discuss the alternative policies that the UK government might adopt to alleviate the inflationary pressures. [15]
- 5** Discuss how far the conflicts in government macroeconomic objectives depend on the openness of the economy. [25]
- 6** (a) Explain the consequences of a current account deficit and a government budget deficit. [10]
- (b) Assess whether such deficits are more likely to be caused by external or internal factors. [15]

**End of paper**

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