

 NYJC	PRELIMINARY EXAM 2017
	JC2 Economics H2 (9757/02)

Paper 2 - Essay

Wednesday
20 September 2017
08:00 – 10:15

TIME: 2 hours 15 mins

INSTRUCTIONS TO CANDIDATES

Write your name, class and name of economics tutor in the space provided on the writing paper.

Do not use staples, paper clips, glue or correction fluid/tape.

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.

The number of marks is given in the brackets at the end of each question or part question. Write your answers on the writing papers provided. At the end of the examination, fasten all your work securely together.

There are 3 printed pages including this cover page

Answer **three** questions in total.

Section A

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

- 1 Restaurant owners are now crying woes in Singapore as their profit margin has been hit hard due to rising rental and food costs. However, their most pressing issue is the lack of manpower and to make things worse, consumers are now tightening their belts due to the negative growth rate for the first quarter of the year. But not all hope is lost. With the rise of online food delivery services, restaurants owners are now partnering them in the hope of attracting more customers.
- (a) Explain, using examples, the concepts of price elasticity of demand and income elasticity of demand. [10]
- (b) Discuss how the combination of the above factors affect the market for different types of restaurant services in Singapore [15]
- 2 (a) Explain how the level of competition influences firms' price and output decisions. [10]
- (b) Assess whether a firm's behaviour is always dependent on the actions of its rivals. [15]
- 3 (a) Using examples, explain the basis by which rational decisions are being made by consumers and producers [10]
- (b) Assess the economic case for government intervention in the market when externalities are present [15]

Section B

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

- 4 Germany took in 1.1 million migrants in year 2015. The government will spend 12 billion euros on accommodating and integrating them in year 2016 in the midst of a decline in exports hit by global economic weakness. Furthermore, Germany's inflation rate may reach the European Central Bank 2 percent price stability ceiling in year 2016. It is unlikely to stay there for long as there are price pressures far weaker elsewhere in the European region.

Source: various

- (a) Explain how the combination of a decline in export revenue and an increase in government expenditure could affect the circular flow of income in Germany. [10]
- (b) Discuss whether an economy's inflation rate is more likely to be determined by domestic or external factors. [15]

- 5 It is the economy-wide productivity consequences of technological improvement, not technological improvement per se, that lifts standard of living.

Assess the extent to which higher labour productivity are likely to improve standard of living in Singapore. [25]

- 6 The United States has run a large deficit on the current account of its balance of payments for several years.

- (a) Explain what might cause a persistent and large deficit on the current account of a country's balance of payments. [10]
- (b) Discuss the view that policies to deal with such a deficit can be ineffective and potentially damaging. [15]