



VICTORIA JUNIOR COLLEGE

JC 2 PRELIMINARY EXAMINATION 2017

H2 ECONOMICS

9757/02

Paper 2

30 August 2017

2 hours 15 minutes

Additional Materials: Answer Paper

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 an HB pencil for any diagram or graphs.
Do not use staples, paper clips, highlighters, glue or correction fluid.
DO **NOT** WRITE IN ANY BAR CODES.

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.

Start each question on a FRESH piece of paper.

At the end of the examination, fasten your work securely, by question, using the strings provided.

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

This document consists of **3** printed pages

[Turn over

Answer **three** questions in total.

Section A

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

- 1** (a) Explain why private decision-making in an environment with different types of information failure leads to inefficient working of the price mechanism. [10]

(b) Discuss the policies that a government could adopt to address these causes of the inefficient working of the price mechanism. [15]
- 2** The global airline industry, as measured by revenue, has continued to grow rapidly.

Discuss possible demand and supply factors and their relative importance in explaining the reported increase in revenue earned by the airline industry. [25]
- 3** In 2015, US food processing companies Heinz and Kraft Foods merged to form The Kraft Heinz Company, which is expected to be the fifth-largest food company in the world and third-largest in the US.

(a) Explain the likely reasons why these companies would want to merge. [10]

(b) Assess whether the Singapore government should approve the merger of firms. [15]

Section B

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

- 4** The USA is often cited as a country with both fiscal and balance of payment current account deficits. On the other hand, Singapore has long-term fiscal and balance of payment current account surpluses.
- (a) Using the circular flow of income, explain how a government's decision to run a budget deficit could affect the current account balance of a country. [10]
- (b) To what extent should the US and Singapore governments be concerned about current account imbalances in their countries? [15]
- 5** "Despite substantive efforts to re-ignite recovery, global economic growth remains low and unemployment persistently high."
- Source: World Economic Forum, The Global Competitiveness Report 2015-2016,
- Discuss how governments ought to decide on the choice of macroeconomic policies to bring about sustained economic growth in their countries. [25]
- 6** (a) Explain the determinants of Singapore's pattern of trade. [10]
- (b) Discuss the impact of free trade on Singapore households in their roles as consumers and workers. [15]

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