

ANGLO-CHINESE JUNIOR COLLEGE
2017 JC2 PRELIMINARY EXAMINATIONS



ECONOMICS

9757/02

Higher 2

18 August 2017

Paper 2: Essay Questions

2 hours 15 minutes

Additional materials: Writing paper

READ THESE INSTRUCTIONS FIRST

Write your index number and name 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 / tape.

Begin each question on a **fresh** sheet of paper.

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** using the cover sheets 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.
Please check that your question paper is complete.

Answer **three** questions in total.

Section A

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

- 1** The Philippine government plans to lower income tax rates, slashing it from 32% to the mid-20s.

Source: CNBC, 2017

Explain what is involved in rational decision making for both consumers and producers, and discuss how their decision making in response to the lowered income tax rates will impact different product markets. [25]

- 2** Consumers' demand for a good or service is often distorted by imperfect information. Some examples of such markets are medical services, infant milk powder and home appliances.

(a) Explain how different types of imperfect information can lead to an inefficient allocation of resources. [10]

(b) Discuss whether subsidies should be implemented to achieve an efficient allocation of resources in markets where imperfect information exists. [15]

- 3** In 2001, local banks in Singapore merged to form sizeable banks, in line with the Government's policy of encouraging local banks to merge and consolidate their operations in order to compete internationally. But in 2015, Competition Commission of Singapore (CCS) blocked a healthcare merger in a bid to maintain healthy competition.

Source: The Straits Times, 2014 and 2015

(a) Explain the factors that are likely to influence firms' decision to merge. [10]

(b) Assess the economic justifications for the Competition Commission of Singapore (CCS) to block mergers. [15]

Section B

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

- 4** The subcommittee on Energy Resilience and Sustainable Growth proposed that Singapore should price energy to reflect its total cost. This involves exploring various options, including a carbon tax and emissions trading regimes.

Discuss the appropriate policies that the Singapore government can adopt in order to achieve sustainable economic growth. [25]

- 5 (a)** Explain why the Singapore government aims for low rates of inflation. [10]

(b) Discuss whether failure to achieve low rates of inflation in Singapore is more likely to be caused by domestic or international factors. [15]

- 6** The “fourth industrial revolution” characterised by artificial intelligence, robotics and Internet of Things (IoT) will see robots manufacture cars and drive them, 3D machines print products and call centres being handled by virtual agents. Singapore’s ageing population is a cause for concern in an increasingly digital and technology-driven economy.

(a) Explain the potential benefits and challenges of free trade agreements for an economy. [10]

(b) In view of the “fourth industrial revolution”, discuss whether the macroeconomic and trade policies adopted by the Singapore government need to be adjusted to maintain a current account surplus in its balance of payments. [15]