



RAFFLES INSTITUTION  
2018 YEAR 6 PRELIMINARY EXAMINATIONS  
Higher 2

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**ECONOMICS**

**9757/02**

Paper 2 Essays

**12 September 2018**

**2 hrs 15 minutes**

Additional Materials:      Answer Paper

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**READ THESE INSTRUCTIONS FIRST**

Write your name, index number and civics 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 diagrams, graphs or rough working.  
Do not use paper clips, highlighters, glue or correction fluid.

Answer **THREE** questions in total, of which **one** must be from Section A and **one** from Section B.

Begin each essay question on a fresh sheet of answer paper.

At the end of the examination, fasten your answer to each question separately

Indicate the question number clearly on the cover sheet.

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

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



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## Section A

Answer at least **One** question from this section

- 1 A roundtrip flight ticket from Singapore to Kuala Lumpur costs S\$183. Meanwhile, a roundtrip train ticket from Singapore to Kuala Lumpur costs S\$33.
- (a) Explain how producers and consumers act rationally to determine the market equilibrium price of flights. [10]
- (b) Discuss the effects of a rise in flight prices on the airlines market and other related markets. [15]
- 2 The China National Salt Industry Corp (CNSIC) controls all salt mines in China. It decides production levels, prices and distribution channels in China's salt industry. China Salt is the only brand in the market. In order to raise competition, the government will allow licensed producers to produce salt, determine prices, and establish their own branding.

*Source: Adapted from the Straits Times 2016*

- (a) Explain the barriers to entry that exist in China's salt industry. [10]
- (b) Discuss whether raising competition is the best policy to bring about desirable outcomes in the salt industry. [15]
- 3 The importance of drinking clean water cannot be overstated when it comes to preventing illnesses and death in developing countries. The Delhi Jal Board (DJB), the government agency responsible for directly providing clean drinking water to the residents of Delhi, has announced that it will continue implementing its free of charge scheme to all Delhiites.

*Source: Adapted 2018 Budget Speech in Delhi, India.*

Assess the appropriateness of the above policies in overcoming market failure in India's clean drinking water market. [25]

**Section B**

Answer at least **One** question from this section

- 4 (a) Explain why a government seeks to achieve sustained economic growth, low inflation and external stability. [10]
- (b) Discuss how far potential conflicts in policy objectives play a part in Singapore's choice of a mix of policies to achieve macroeconomic goals simultaneously. [15]

- 5 The US Federal Reserve has hiked interest rates seven times since December 2015. Elsewhere, some Central Banks also raised their own interest rates, with some Emerging-market Central Banks being pressured to do so to go on the defensive. The Fed's policy decision might be a positive sign of the US economy but will have a mixed impact on other countries.

*Source: Adapted Bloomberg 16 May 2018*

Discuss the extent to which the move by the US to hike its interest rate should be a cause for concern for itself and other economies. [25]

- 6 (a) Explain the potential challenges that might arise when a country loses competitiveness in an increasingly globalized world. [10]
- (b) Discuss whether protectionism is the most appropriate measure to manage the challenges when a country loses its competitiveness. [15]

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