RAFFLES INSTITUTION
2025 YEAR 6 PRELIMINARY EXAMINATION
Higher 2

ECONOMICS 9570/02

Paper 2 Essay Questions **18 September 2025**

2 hours 30 minutes

Additional Materials: Answer Paper

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, 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.

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

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Answer **three** questions in total.

Section A

Answer at least **one** question from this section.

1 The usual market adjustment process does not work in the UK housing market. Rising prices tend to mean that homeowners delay putting their houses onto the market in the belief that prices will continue to rise. Rising prices also encourage buying before prices rise even more.

Source: The Guardian

(a) In the absence of government intervention, explain why a shortage is not allocatively efficient and why shortages may persist despite a rise in price. [10]

(b) Discuss whether a price ceiling is the most appropriate policy to reduce housing prices. [15]

2 (a) Explain how supermarkets can tap on cognitive bias and price discrimination to increase their profits. [10]

In supermarkets, Artificial Intelligence (AI) powers self-checkout stations and frictionless payments using cameras and sensors. Smart systems that use AI will also reduce electricity use by adjusting lighting and refrigeration. AI can also boost productivity and enable higher-value work in the labour market.

(b) Discuss the effects on consumers and employees when supermarkets adopt the use of AI. [15]

3 Governments employ different strategies to tackle the over-consumption of alcohol. In Singapore, alcohol taxes can be as high as $88 per litre of alcohol content while certain states in India ban alcohol to reduce social harm.

(a) Explain one reason why governments intervene in the market for alcohol and how an increase in alcohol tax is likely to affect tax revenue. [10]

(b) Discuss whether it is possible for government policies to address the market failure in the market for alcohol without causing unintended consequences. [15]

Section B

Answer at least **one** question from this section.

4 In 2022 and 2023, many economies experienced high inflation, slowing economic growth, low unemployment and widening trade deficits simultaneously.

(a) Explain the possible impact of 'widening trade deficits' on a country's standard of living. [10]

(b) Discuss whether achieving price stability or full employment should be prioritised by a government. [15]

5 In many countries, interest rate policy is a key monetary tool used to influence inflation, but its effectiveness varies depending on the nature of inflation and the country's economic context.

(a) Using appropriate examples, explain how an economy can experience high inflation and economic growth while another experiences high inflation and negative economic growth. [10]

(b) Discuss how effectiveness of interest rate policy is influenced by the type of inflation and an economy's characteristics. [15]

6 The US has leaned towards protecting domestic industries and re-shoring manufacturing activities, while Singapore continues to champion free trade through open markets and trade agreements. These contrasting approaches reflect differing economic priorities.

(a) Explain how the imposition of tariffs results in economic inefficiencies. [10]

(b) Discuss the appropriateness of the US and Singapore's approaches to globalisation. [15]