VICTORIA JUNIOR COLLEGE
JC2 PRELIMINARY EXAMINATION 2025
HIGHER 2

ECONOMICS **9570/02**

Paper 2 **26 August 2025**

2 hour 30 minutes

No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

An answer booklet will be provided with this question paper. You should follow the instructions on the front cover of the answer booklet. If you need additional answer paper, ask the invigilator for a continuation booklet.

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 brackets [ ] at the end of each question or part question.

Answer **three** questions in total.

Section A

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

1 In many parts of the world, essential goods and services such as rice and electricity are scarce due to limited natural resources and increasing demand. In deciding how best to address the problem of scarcity, economists typically assume that consumers and producers act in self-interest.

(a) Explain how the pursuit of self-interest and price signals could help to address the question of how much essential goods and services to produce. [10]

(b) Discuss possible policy measures that a government can use to ensure a fairer distribution of essential goods and services. [15]

2 In Singapore, firms like GlaxoSmithKline and Roche hold significant market power in specialised drugs such as cancer treatments due to patent protection. This enables them to set high prices. Patients' lack of awareness of cheaper or equally effective alternatives can also result in overreliance on costly medications, resulting in inefficient resource allocation.

(a) Explain how price setting ability and information failure in the pharmaceutical industry can lead to an inefficient allocation of resources. [10]

(b) Discuss how government policies could be used to improve economic efficiency in the pharmaceutical industry and consider how likely it is that such interventions will be successful in achieving this aim. [15]

3 Digital innovation has transformed traditional markets, changing how firms operate. Even as economies recover from the COVID-19 pandemic, technological disruption has equipped firms with more insights into consumer preferences. With advanced analytics capabilities, firms can better segment their markets based on consumer behaviour data.

(a) In light of the advancement in analytics capabilities and post COVID-19 recovery, explain how the concepts of price and income elasticity of demand can help a firm to increase its revenue. [10]

(b) Discuss whether product differentiation or cost strategies are more appropriate for firms seeking to harness digital innovation to increase profits. [15]

Section B

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

4 The Singapore Green Plan 2030 is a whole-of-nation movement guiding the country's sustainable development. New opportunities are being created in sustainable industries, with government programs supporting businesses in their green transformation.

(a) Explain how economists know whether the objective of inclusive and sustainable growth has been achieved by an economy. [10]

(b) Discuss the extent to which policies designed to pursue sustainable economic growth by a government will lead to trade-offs in an economy. [15]

5 A low and stable rate of inflation is a key macroeconomic policy objective for most governments. During 2022 to 2023, many central banks around the world raised interest rates to combat rising inflation.

(a) Explain why inflation and deflation might be reasons for concern for a government. [10]

(b) Discuss whether a rise in interest rates in other countries would have an overall adverse impact on Singapore's economy. [15]

6 As major economies turn inward and global supply chains face increasing vulnerabilities, the globalisation model that has driven growth for decades is under scrutiny.

(a) Explain the main reasons for the growing backlash against globalisation. [10]

(b) Discuss whether policies to deepen human capital development or expand external trade networks would be more effective in safeguarding Singapore's long-term economic performance. [15]