Answer **three** questions in total.

Section A

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

1 Rare earth elements are critical inputs in the production of semiconductors, electric vehicles and other high-technology products. Rising incomes have contributed to strong growth in these industries, while the extraction of rare earth elements can be challenging and time-consuming. Producers in some industries have also explored alternative materials.

a) Explain why the above events have led to a sharp increase in the price of rare earth elements and the reasons why shortages may continue to occur despite higher prices. [10]

(b) Discuss how the rise in the price of rare earth elements may affect two related markets. [15]

2 The pharmaceutical industry is dominated by a small number of large firms that hold patents over many medicines. Patents and the high costs of developing new medicines create significant barriers to entry, giving established firms considerable market power. Recently, governments have been encouraging the entry of lower-cost alternatives.

(a) Explain the likely effects on a pharmaceutical firm's price and output when it's objective changes from profit maximising to an alternative objective. [10]

(b) Discuss the extent to which entry of lower-cost alternatives will benefit consumers and harm producers in the pharmaceutical industry. [15]

3 Japan is highly vulnerable to earthquakes and tsunamis. Tsunami warning systems alert communities to approaching waves. Households may also invest in earthquake-resistant housing to reduce the risk of buildings collapsing during earthquakes, which can also improve the safety of people in surrounding areas.

(a) Explain why the market may fail in the provision of tsunami warning systems and earthquake-resistant housing. [10]

(b) Discuss appropriate policies that can be employed to address the market failures associated with the provision of tsunami warning systems and earthquake-resistant housing. [15]

Section B

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

4 Income inequality may arise from changes in technology as well as changes in the demand and supply of workers with different skills. This has prompted governments to adopt a redistributive policy of progressive taxation with cash transfers.

(a) Explain one demand and one supply factor that may contribute to a significant rise in income inequality in a country.

(b) Discuss whether the above redistributive policy is the most appropriate for a government to achieve inclusive economic growth. [15]

5 Singapore is a small and highly open economy that is closely integrated with the global economy through trade and capital flows. In recent years, changing global economic conditions has raised questions about the benefits and challenges of greater economic integration.

(a) Explain how technology has facilitated globalisation and how an increase in international capital outflows can affect a country's exchange rate. [10]

(b) Discuss the extent to which conflicts between macroeconomic objectives may arise as Singapore becomes increasingly integrated into the global economy. [15]

6 The UK has experienced periods of rising unemployment as economic growth weakened, while also recording persistent deficits in its trade in goods. These challenges have raised concerns about employment and the country's external economic position.

(a) Explain why countries seek to achieve low rate of unemployment and avoid a persistent balance of trade deficit. [10]

(b) Discuss whether the use of supply-side policy is more effective than demand-side policy in achieving full employment. [15]