RAFFLES INSTITUTION
2022 YEAR 6 TERM 3 COMMON TEST
Higher 2

ECONOMICS 9757/02

Paper 2 Essay Questions **June 2022**

2 hours 15 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 **two** 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 **2** printed pages.

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Answer **three** questions in total.

Section A

Answer **one** question from this section.

1. The degree of competition within an industry depends on a number of factors.

a) Using examples, explain possible factors that have caused some markets to become more competitive. [10]

b) Discuss whether innovation is the best strategy for a firm seeking to increase its profits. [15]

2. Markets such as healthcare and insurance allocate resources inefficiently when there is information failure. In the case of Singapore, other than the provision of information, the government have also introduced policies such as compulsory healthcare insurance scheme and co-payment to address the above sources of market failure.

Discuss the measures the Singapore government has taken to address allocative inefficiency arising from information failure. [25]

Section B

Answer **two** questions from this section.

3. A government's macroeconomic aims are low inflation, low unemployment, sustained economic growth and a favourable balance of trade (BOT).

a) Explain how the lowering of interest rates would affect actual and potential economic growth of a country. [10]

b) Discuss which is the most significant macroeconomic aim for a country. [15]

4. Singapore's central bank unexpectedly tightened its monetary policy settings, strengthening the local dollar, as the city-state joins policymakers globally concerned about risks of persistent inflation.

Source: Bloomberg Oct 2021

a) Explain why a small open economy like Singapore chooses to adopt exchange rates over interest rates as its monetary policy tool. [10]

b) Assess the likely effects of an appreciation of the SGD against foreign currencies on Singapore's economic performance. [15]

5. Global supply and demand shocks that follow the COVID-19 pandemic has created challenges for economies worldwide.
In response, the Malaysian government implemented a fiscal stimulus package totaling $164 billion RM over the last 2 years. These included cash transfers, wage subsidies to help business retain workers as well as training and support for business digitalisation.

Adapted from multiple sources.

Assess the appropriateness of the above government measures in addressing the challenges faced by the Malaysian economy. [25]