



RAFFLES INSTITUTION
2023 YEAR 6 PRELIMINARY EXAMINATION
Higher 2

ECONOMICS

9570/02

Paper 2 Essay Questions

14 September 2023

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 Singapore's residential property market prices rose 10.6% in 2021 and 8.6% in 2022. Construction delays, manpower crunch and supply chain bottlenecks have contributed to rising prices. In response, authorities raised buyer's stamp duty, tightened the maximum loan limit and ramped up supply of new public housing flats.
 - (a) Explain the persistent shortage in the public housing market despite the rise in price. [10]
 - (b) Discuss whether demand or supply-side measures are more appropriate in cooling down the residential property market. [15]

- 2 In the ride hailing industry, Grab became the dominant ride-hailing service provider in Singapore after Uber's exit from the market. Even with the entry of new players like Gojek and Tada, Grab's pricing power is significant.
 - (a) Explain, with the use of examples, why firms in oligopolistic markets in reality may not set prices at profit maximising level. [10]
 - (b) Discuss whether reducing barriers to entry or regulating prices of firms leads to a more desirable outcome for society. [15]

- 3 Singapore's high vaccination rates have been pivotal to enable us to weather successive waves of Covid-19 infections. Insurance coverage for Covid-19 looks set to stay, with major insurers here saying they have no plans to reduce such protection from their offerings even as the world emerges from the pandemic.
 - (a) Explain how information failure results in an inefficient allocation of resources in the above markets. [10]
 - (b) Discuss whether legislation is the best measure that the Singapore government can adopt to correct failures in the above markets. [15]

Section B

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

- 4 To safeguard the poor, tax hikes must be combined with larger transfer payments.
- Source: International Monetary Fund
- (a) Explain the likely impact of the above fiscal measures on an economy's aggregate demand and aggregate supply. [10]
- (b) Discuss the extent to which various measures to 'safeguard the poor' may create problems for a country. [15]
- 5 (a) Explain why a government should be concerned with high rates of unemployment and a balance of trade deficit. [10]
- (b) Discuss the factors that determine the choice of policies that a government would use to reduce unemployment. [15]
- 6 Low probability but high impact events, such as the Covid-19 pandemic that sparked a global recession and the obstruction of the Suez canal that triggered supply-chain breakdowns, have illustrated that an increasingly globalised world has made economies more efficient but less resilient. This has prompted many governments to make efforts to be more self-sufficient.
- (a) Explain how globalisation has made economies 'more efficient but less resilient'. [10]
- (b) Discuss the policies a government could use to become more self-sufficient and whether, on balance, these policies are beneficial. [15]