



MINISTRY OF EDUCATION, SINGAPORE
in collaboration with
CAMBRIDGE ASSESSMENT INTERNATIONAL EDUCATION
General Certificate of Education Advanced Level
Higher 2

ECONOMICS

9570/02

Paper 2

For examination from 2023

SPECIMEN PAPER

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.

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



Singapore Examinations and Assessment Board



Cambridge Assessment
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Answer three questions in total.

Section A

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

- 1** The market for education may not achieve an efficient and equitable allocation of resources when there are information failures.
- (a) Explain how information failure could prevent an efficient allocation of resources. [10]
- (b) Discuss the most effective policy measures to ensure an efficient and equitable allocation of resources when there are information failures in the market for education. [15]
- 2** The switch to online shopping has meant an increase in demand for packaging such as plastic and cardboard. Some governments are imposing a tax on plastic packaging that does not include recycled plastic. Even with cardboard manufacturers operating at close to full capacity, there has been a large increase in the price of cardboard in some countries.
- (a) Explain **two** reasons why there was a large increase in the price of cardboard in some countries. [10]
- (b) Using demand and supply analysis, discuss whether consumers buying products online are more likely to be adversely affected by the imposition of a tax on plastic packaging than firms selling products online. [15]
- 3** Firms need to decide whether to expand production when market demand increases or shut down production when market demand falls. Other strategies to increase revenue and profits under such circumstances include price discrimination and diversification.
- (a) Explain why a profit-maximising firm's decision to shut down or expand its production depends on its costs and revenue. [10]
- (b) Discuss whether price discrimination or diversification is the more appropriate strategy for firms when market demand is falling. [15]

Section B

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

- 4** Most governments aim to achieve inclusive economic growth while maintaining fiscal sustainability.
- (a) Explain why most governments aim to achieve economic growth which is both inclusive and sustainable. [10]
- (b) Discuss whether inclusive economic growth while maintaining fiscal sustainability can be achieved by changes in tax rates and transfer payments. [15]
- 5** The unemployment rate in Singapore increased from 2.3% in 2019 to 3.0% in 2020.
- (a) Explain how unemployment can be caused by a deficiency in aggregate demand or a mismatch of skills. [10]
- (b) Discuss whether the use of demand-side or supply-side policies is the most effective way of reducing the rate of unemployment in Singapore. [15]
- 6** 'Free Trade Agreements (FTAs) are treaties which make trade and investment between two or more economies easier. Singapore has an open economy which is driven by trade in goods and services. Over the years, it has forged an extensive network of 25 implemented agreements.' Ministry of Trade and Industry, Singapore.

Source: mti.gov.sg/Improving-Trade/Free-Trade-Agreements

- (a) Explain how consumers and producers in Singapore can benefit from free trade. [10]
- (b) Discuss whether free trade agreements are the best approach for governments to achieve their macroeconomic objectives. [15]

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