RAFFLES INSTITUTION
2023 YEAR 6 TERM 3 COMMON TEST
Higher 2

ECONOMICS 9570/02

Paper 2 Essay Questions **26 June 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 **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 **3** printed pages.

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Answer **three** questions in total.

Section A

Answer **one** question from this section.

1 While some countries such as Malaysia provide subsidies on electricity, other countries like Singapore allow the free market to determine its price. In 2022, the price of electricity in Singapore surged from $0.18/kWh to $0.32/kWh, partly due to a rise in the price of imported natural gas.

(a) Explain the possible reasons for the surge in price of electricity in Singapore. [10]

(b) Discuss whether providing subsidies for electricity is the best way for Singapore to improve outcomes for society. [15]

2 Different governments have different priorities with regards to spending on national defence and education. The following data shows Singapore's and Thailand's budget allocation.

Countries	**Defence (% of Government Spending)**	**Education (% of Government Spending)**
Singapore	15.3%	13.4%
Thailand	4.8%	14.7%

Source: World Bank 2021

(a) Explain why the free market fails in the provision of defence and education. [10]

(b) Discuss the factors affecting government priorities in spending on defence and education. [15]

Section B

Answer **two** questions from this section.

3 (a) Explain the internal and external factors that determine a country's sustained economic growth. [10]

(b) Discuss whether achieving a high rate of economic growth should be the main goal of a government to improve the standard of living of its citizens. [15]

4 It is within Singapore's power to become more productive and competitive to manage economic challenges that have resulted from the Covid-19 pandemic, the war in Ukraine and China's slowing growth. Amidst these challenges, the goods and services tax (GST) rate is set to increase from 7 to 9 per cent by 2024 to support the growing needs of the population.

Source: adapted from National Day Rally Speech, 2022

(a) Explain the intended and unintended effects of raising GST in Singapore. [10]

(b) Discuss whether "becoming more productive and competitive" is the only way for Singapore to overcome its economic challenges. [15]

5 Wall Street widely expected the Federal Reserve Bank to raise interest rates by 25 basis points, which is exactly what happened. However, the US dollar subsequently fell amidst fears of a banking crisis.

(a) Explain a possible reason for the interest rate hike by the Federal Reserve Bank and why the US dollar fell despite this interest rate hike. [10]

(b) Discuss the reasons why a government might find it challenging to resolve the problem of stagflation. [15]

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