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TEMASEK JUNIOR COLLEGE

2025 JC2 PRELIMINARY EXAMINATION

Higher 2

ECONOMICS **9570/02**

Paper 2 **15 September 2025**

2 hours 30 min

Additional Materials: **six 4-page** answer booklets

READ THESE INSTRUCTIONS FIRST

Do not turn over until you are told to do so.

Answer booklets 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 booklet, 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.

Begin each question on a fresh 4-page answer booklet.

Indicate the question number clearly in your answers.

The number of marks is given in brackets [ ] at the end of each question or part question.

Answer **three** questions in total.

Section A

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

1 Firecrackers are often used in many countries for celebrations and festivals. Whilst individuals see them as a form of enjoyment, there have also been cases where individuals are injured when setting them off and the explosive sounds cause noise pollution to residents nearby. As a result, some countries have resorted to banning them.

(a) Explain **two** different reasons for the market failure associated with firecrackers. [10]

(b) Discuss why some countries choose to ban firecrackers while other countries may utilise another type of intervention. [15]

2 Technological advancements have helped in the streamlining of processes and minimising waste in the automotive industry. This has resulted in reduced factory sizes and lowered rental costs for the U.S. automakers. On the other hand, the U.S. has increased tariffs on steel and aluminium imports, increasing costs for automakers, particularly those relying on imported parts.

(a) Explain how the reduction in rental costs and the higher tariffs on steel will **each** affect the survival of US automakers. [10]

(b) Discuss whether barriers to entry is the key determinant in a profit-maximising firm's price and output decision. [15]

3 Indonesia, the world's largest palm oil producer, announced that it will ban palm oil exports, a move that will impact global food prices by placing extra pressure on already steep cooking oil prices.

Source: Straits Times, *25 April 2022*

(a) Explain, using relevant elasticity concepts, how an increase in the price of palm oil will affect the total spending by consumers on palm oil and another alternative like soybean oil. [10]

(b) Discuss the policies that a government can implement to lower the price of palm oil when confronted with an export ban by Indonesia. [15]

Section B

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

4 Monetary Authority of Singapore will maintain the rate of appreciation of the Singapore dollar nominal effective exchange rate (S$NEER) policy band. A sustained appreciation of the policy band is necessary to dampen imported inflation and ensure medium-term price stability.

Source: *Adapted from* MAS Monetary Policy Statement, *13 October 2023*

(a) Explain why Singapore employs the use of exchange rates instead of interest rates as its main tool of monetary policy. [10]

(b) Discuss whether the modest and gradual appreciation of the exchange rate is the best policy in controlling the rate of inflation in the Singapore economy. [15]

5 Following a six-year low in August 2022, unemployment rates edged up in September 2022. Workers will need to stay ready, relevant and resilient to pick up new skills, face new challenges and transit into new jobs.

Source: Ministry of Manpower

(a) Explain why a healthy growth rate and maintaining a low rate of unemployment are important objectives to be pursued by the Singapore government. [10]

(b) Discuss whether the measures adopted by the Singapore government have been successful in achieving these two objectives. [15]

6 Deglobalisation is the process of reducing economic interdependence between countries by emphasising domestic production and limiting international trade, investment and labour flows.

(a) Explain **two** different ways that economies use to embark on deglobalisation. [10]

(b) Discuss the potential impact of deglobalisation for an economy. [15]

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