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RAFFLES INSTITUTION
2026 YEAR 6 TERM 3 TIMED PRACTICE
Higher 2

ECONOMICS 9757/02

Paper 2: Essay Questions **June 2026**

1 hours 40 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 **two questions** in Paper 2: Essays

Begin each 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 (essay).

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 **two** questions in total.

1 Asymmetric information is present in the market for many different products. There are several strategies that firms could undertake to avoid the adverse consequences of asymmetric information. These markets might also benefit from government intervention.

a) Explain, with examples, how asymmetric information can lead to adverse selection and moral hazard. [10]

b) Discuss whether it is necessary for governments to intervene in markets with asymmetric information. [15]

2 Government expenditure on large-scale infrastructure projects such as airports and mass rapid transit (MRT) can contribute significantly to a country's economic growth.

a) Explain how government expenditure on large scale infrastructure projects can contribute to a country's economic growth. [10]

b) Discuss the extent to which such government expenditure on infrastructure projects will lead to a rise in the living standards of the country. [15]

3 The exchange rate is a key policy tool in managing the economy of Singapore.

a) Explain how an appreciation of the exchange rate might affect aggregate demand and aggregate supply in an economy. [10]

b) Discuss whether management of the exchange rate is the most appropriate way of controlling inflation in Singapore. [15]