**GCE A Level H2 Economics 2018 Paper 2**

**Section A**

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

1. The average price of tickets for two concerts performed by singer-song writer Ed Sheeran in November 2017 at the Singapore Indoor Stadium was S$180. Tickets went on sale six months earlier and both concerts sold out almost immediately. Some tickets were later being offered for resale at prices well above their face value.

(a) Using supply and demand curves, explain why there is an excess demand for tickets and why there is a high resale price. [10]

(b) Discuss possible strategies that concert organisers could use to improve the market outcome for this type of concert for producers and consumers. [15]

2. Competition amongst airlines within the air passenger market is high and demand is rising but many airports are at or near capacity. Both variable and fixed costs of production of passenger airlines continue to change over time. For example, airline jet fuel prices fell by 20.4% over the year ended 22 July 2016 while the price of passenger jet aircraft increased by around 1.1% between 2015 and 2016.

Source: *International Air Transport Association*, accessed 3 August 2016

Using economic analysis, discuss how airlines would likely respond to these changes. [25]

How can product differentiation enables the airlines to match the demand and increase revenue

3. The proposed Cross Island MRT line would run though the Central Catchment Nature Reserve. An alternative route going round the reserve’s southern edge would preserve Singapore’s natural heritage and serve a much larger number of residents. The Land Transport Authority, LTA, says that the alternative route would entail longer travelling time, higher costs, more land acquisition and possibly bigger engineering challenges.

Source: *The Straits Times*, accessed 24 May 2017

(a) Explain what needs to be considered when a government makes rational spending decisions about such projects. [10]

(b) Discuss whether the government should proceed with the proposed the alternative route for the Cross Island MRT. [15]

**Section B**

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

4. In April 2016, Singapore’s Finance Minister Mr. Heng Swee Keat, announced that in the fiscal year 2016, total government expenditure is expected to be S$5.0 billion (7.3%) higher than the previous year.

Source: *Singapore Budget 2016*, accessed 3 August 2016

Assess whether an increase in government expenditure, such as that announced in the 2016 budget, is likely to have a significant impact on Singapore’s economic performance. [25]

5. It was suggested by economists early in 2017 the world interest rates were likely to rise in the future.

(a) Explain why Singapore chooses exchange rates rather than interest rates as its main tool of monetary policy. [10]

(b) Discuss whether a rise in world interest rates would be of overall benefit to Singapore’s economy. [15]

6. “Across the globe, people are wondering why the US, usually the leader in free trade, is now taking a protectionist stance”

Source: *Foreign Policy Journal*, February 2017

(a) Describe **two** different types of protectionist policy measure and explain how each type would affect trade. [10]

(b) Discuss the extent to which protectionism would be beneficial to an economy. [15]