



St Ignatius College  
Riverview

**2013**

HSC TRIAL  
EXAMINATION

# Economics

## General Instructions

- Reading time – 5 minutes
- Working time – 3 hours
- Write using a blue or black pen
- Board-approved calculators may be used
- Write your name and teacher's initials in the spaces provided  
McLean PWM  
Parsons MTP  
Robertson MXR  
Walker LAW

**Total marks - 100**

### Section I 20 marks

- Attempt Questions 1-20
- Allow about 35 minutes for this section

### Section II 40 marks

- Attempt Questions 21-24
- Allow about 1 hour and 15 minutes for this section

### Section III 20 marks

- Attempt Question 25 or 26
- Allow about 35 minutes for this section

### Section IV 20 marks

- Attempt Question 27 or 28
- Allow about 35 minutes for this section

## Section I

**20 marks**

**Attempt Questions 1–20**

**Allow about 35 minutes for this section**

Use the multiple-choice answer sheet for Questions 1–20.

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- 1** What advantages are provided to countries as a result of multilateral trade agreements such as the Uruguay Round facilitated by the WTO?
- (A) There is increased protection of domestic industries
  - (B) There is minimal trade diversion due to the large number of signatories
  - (C) There is minimal time involved in negotiating the terms of the agreement
  - (D) There are only two members involved in the agreement thus making consensus easy to achieve

- 2** Which of the following methods can be used to fund a budget deficit?
- (A) Repurchase securities from banks, monetary financing, borrow from overseas
  - (B) Monetary financing, borrow from overseas, sell government bonds
  - (C) Borrow from overseas, sell government bonds, increase taxation
  - (D) Sell government bonds, increase taxation, repurchase securities from banks

- 3** A government presents the following financial accounts:

Year	Revenue	Expenditure
1	\$100b	\$120b
2	\$110b	\$120b
3	\$118b	\$120b

In order, the budget outcome and the fiscal stance in Year 3 are:

- (A) Budget deficit and expansionary stance
- (B) Budget surplus and expansionary stance
- (C) Budget deficit and contractionary stance
- (D) Budget surplus and contractionary stance

- 4 Which of the following organisations aims to improve living standards largely through publishing research on a range of policy issues affecting its member nations?
- (A) World Bank
  - (B) World Trade Organisation
  - (C) International Monetary Fund
  - (D) Organisation for Economic Co-operation and Development

- 5 A government decides to reduce barriers to foreign imports.

Which type of domestic unemployment is likely to be created by such policy change?

- (A) Cyclical unemployment
  - (B) Frictional unemployment
  - (C) Seasonal unemployment
  - (D) Structural unemployment
- 6 Which of the following describes ways that the Australian government used their surplus between 2002 and 2008?
- (A) Create government business enterprises and place funds in a public infrastructure fund
  - (B) Place funds in a public infrastructure fund and pay off public sector debt
  - (C) Pay off public sector debt and provide stimulus payments to high income earners
  - (D) Provide stimulus payments to high income earners and create government business enterprises

- 7 A Canadian superannuation fund purchases a commercial television station in Sydney for \$4 billion.

What will be the immediate impact on the balance of payments?

- (A) An increase in primary income
- (B) An increase in the capital account
- (C) An increase in the financial account
- (D) An increase in the balance on goods and services

**8** An economy presents the following data:

Year	Export Price index	Import price index
1	100	100
2	115	110
3	138	115

Which of the following statements is correct for this economy?

- (A) The terms of trade is unchanged
- (B) The terms of trade for Year 3 is 120
- (C) This economy need to sell more exports to pay for their imports
- (D) The price of imports is growing at a faster rate than the price of exports

**9** An economy provides the following economic information

Year	Consumption	Income
1	\$100m	\$400m
2	\$140m	\$600m
3	\$180m	\$800m

In Year 4 new investment of \$200m occurs.

What would be the value of income in Year 4?

- (A) \$846m
- (B) \$1,000m
- (C) \$1,050m
- (D) \$1,060m

**10** Which statement regarding trends in Australia's trade pattern is correct?

- (A) USA has declined in importance as a trade partner
- (B) China has declined in importance as a trade partner
- (C) Minerals have declined in importance in terms of trade composition
- (D) Rural goods have increased in importance in terms of trade composition

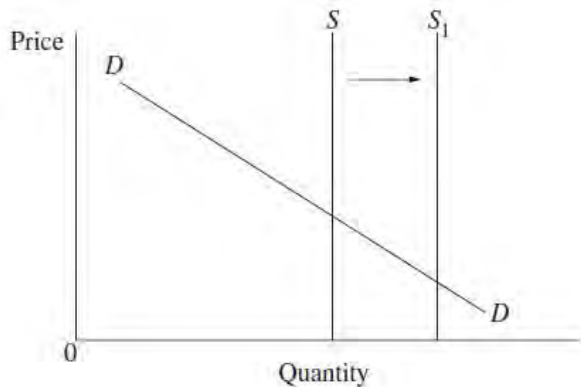
- 11 The following table shows population and labour force data for an economy in the month of December.

Population (millions)	Population of working age (millions)	Employed persons (millions)	Unemployed persons (millions)	Hidden unemployed (millions)
40	15	9	3	1

Which of the following statements is true for this economy in December?

- (A) The participation rate is 32% and the unemployment rate is 25%
  - (B) The participation rate is 80% and the unemployment rate is 25%
  - (C) The participation rate is 86% and the unemployment rate is 33%
  - (D) The participation rate is 86% and the unemployment rate is 31%
- 12 Which of the following statements about the non-accelerating inflation rate of unemployment (NAIRU) is true?
- (A) The NAIRU can be influenced by microeconomic reform.
  - (B) The NAIRU occurs when the rate of structural unemployment is zero.
  - (C) The NAIRU is fixed and is unable to be influenced by government policy.
  - (D) The NAIRU occurs when the rate of cyclical unemployment is around 5% in Australia.
- 13 The infant industry argument for protection suggests that new industries need to be protected from competition in the short-run because:
- (A) foreign firms have lower rates of inflation and are therefore at a competitive advantage.
  - (B) foreign firms will effectively try to export unemployment to the economy that has the infant industry.
  - (C) foreign firms may have advantages in production size and economies of scale that cannot be matched locally.
  - (D) foreign firms may want to sell excess production in a country and drive down the domestic market price of their products.

- 14 The following diagram shows the market for imported cars.



According to the diagram, what is the effect of a movement in the quota from  $S$  to  $S_1$ ?

- (A) The quota increases and the domestic price falls
  - (B) The quota decreases and the domestic price rises
  - (C) The quota increases and the domestic price rises
  - (D) The quota decreases and the domestic price falls
- 15 If the government was to increase microeconomic reform in the Australian car manufacturing industry which of the following would be the most likely outcome?
- (A) An increase in the price of cars made in Australia.
  - (B) An increase in the terms of trade associated with exported and imported cars.
  - (C) An increase in the long-term viability of the Australian car manufacturing industry.
  - (D) An increase in economies of scale experienced by manufactures of cars in foreign countries.
- 16 All other things being equal, which of the following will enhance Australia's international competitiveness?
- (A) A rise in our terms of trade
  - (B) A rise in the trade weighted index
  - (C) A fall in the consumer price index
  - (D) A fall in the productivity of labour

- 17** The Reserve Bank of Australia buys government securities from the banks. What is the most likely impact on the supply of cash on the short term money market (STMM) and the value of the Australian Dollar (AUD)?
- (A) Increased supply of cash on STMM and appreciation of AUD
  - (B) Decreased supply of cash on STMM and depreciation of AUD
  - (C) Increased supply of cash on STMM and depreciation of AUD
  - (D) Decreased supply of cash on STMM and appreciation of AUD
- 18** Which of the following is an example of discretionary fiscal policy?
- (A) A decrease in government revenue driven by a reduced terms of trade.
  - (B) An increase in taxation revenue received during a boom phase of the business cycle.
  - (C) A decrease in unemployment benefits paid during a boom phase of the business cycle
  - (D) An increase in government expenditure aimed at stimulating the economy during a recession.
- 19** An increase in cost-push inflation:
- (A) is driven by an increase in productivity.
  - (B) may occur indirectly when the AUD depreciates.
  - (C) can be illustrated by shifting the AS curve to the right in the AD-AS model.
  - (D) can be illustrated by shifting the AD curve to the right in the AD-AS model.
- 20** Which of the following is recorded as a debit item in the current account of Australia's balance of payments?
- (A) The purchase by Australians of equity in a foreign company
  - (B) Dividend payments from a foreign company to an Australian shareholder
  - (C) The purchase of equities by a foreign company in an Australian company
  - (D) Foreigners working in Australia sending remittances overseas

## Section III

20 marks

Attempt either Question 25 or Question 26

Allow about 35 minutes for this section

Use the question in a writing booklet. Extra writing booklets are available.

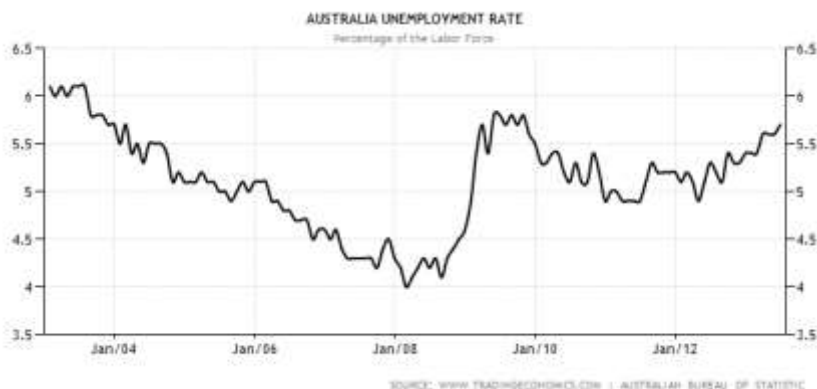
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In your answer you will be assessed on how well you:

- demonstrate knowledge and understanding relevant to the question
  - use the information provided
  - apply relevant economic terms, concepts, relationships and theory
  - present a sustained, logical and cohesive response
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### Question 25 (20 marks)

Analyse the impact of Australian government policy on inflation and unemployment. In your response you should refer to the economic information provided.



The basic mechanism of microeconomic reform is to reduce government intervention in product and factor markets in ways designed to increase the degree of competition in those markets. Increased competition in markets should increase the pressure on firms both to raise their technical efficiency and to pass the fruits of that higher productivity on to their customers in the form of better service or lower prices.

<http://www.rossgittins.com/2007/09/microeconomic-reform.html>

OR



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In your answer you will be assessed on how well you:

- demonstrate knowledge and understanding relevant to the question
  - use the information provided
  - apply relevant economic terms, concepts, relationships and theory
  - present a sustained, logical and cohesive response
- 

**Question 26** (20 marks)

Analyse the effects of changes in the value of the Australian dollar on the Australian economy. In your response you should refer to the economic information provided.

AUD against USD (previous decade)



“The Australian dollar has depreciated by around 10 per cent since early April, although it remains at a high level. It is possible that the exchange rate will depreciate further over time, which would help to foster a rebalancing of growth in the economy”.

Glenn Stevens, Governor of the RBA – 2<sup>nd</sup> July 2013

## **Section IV**

**20 marks**

**Attempt either Question 27 or Question 28**

**Allow about 35 minutes for this section**

Use the question in a writing booklet. Extra writing booklets are available.

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In your answer you will be assessed on how well you:

- demonstrate knowledge and understanding relevant to the question
  - apply relevant economic terms, concepts, relationships and theory
  - present a sustained, logical and cohesive response
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### **Question 27 (20 marks)**

Explain how government policy and economic growth impact on the environment in a national and global context.

**OR**

### **Question 28 (20 marks)**

Explain how current labour market policies impact Australia's economic objectives.

**End of paper**

2013 HSC TRIAL EXAMINATION  
Economics

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Student Number

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Teacher Initials



**DO NOT DETACH THIS COVER SHEET**

**Instructions for answering multiple choice questions**

- Complete your answers in blue or black pen.
- Select the alternative A, B, C or D that best answers the question. Fill in the response circle completely.

**Sample 1:**                       $2 + 4 =$     (A) 2      (B) 6      (C) 8      (D) 9

A     B     C     D

If you think you made a mistake, put a cross through the incorrect answer and fill in the new answer. If you are using a pencil, you may rub out the incorrect answer and fill in the new answer.

A     B     C     D

If you change your mind and have crossed out what you consider to be the correct answer, then indicate the correct answer by writing the word *correct* and drawing an arrow as follows:

A     B     C     D

↑ correct

**Sections I and II**

**60 marks**  
**Attempt Questions 1–24**

2013 HSC TRIAL EXAMINATION  
Economics

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Student Number

Section I  
Answer sheet

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Teacher Initials

Start Here →

1. A  B  C  D
2. A  B  C  D
3. A  B  C  D
4. A  B  C  D
5. A  B  C  D
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18. A  B  C  D
19. A  B  C  D
20. A  B  C  D

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Economics

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Section II

Student Number

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Teacher Initials

40 marks  
Attempt Questions 21–24  
Allow about 1 hour and 15 minutes for this section

Answer the questions in the spaces provided. These spaces provide guidance for the expected length of response.

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Question 21 (10 marks)

- (a) Calculate the level of aggregate demand in an economy that presents the following information. 2

Item	\$Billions (b)
Consumption	800
Savings	200
Investment	50
Government spending	100
Imports	10
Exports	30

(show all working and include units)

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(b) Explain ONE positive and ONE negative effect of economic growth.

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**Question 21 continues in the next page**

Question 21 cont.....

- (c) Explain ONE way government can influence aggregate demand, and ONE way government can influence aggregate supply, to promote economic growth. 4

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**End of Question 21**

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Economics

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Section II (continued)

Student Number

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Teacher Initials

**Question 22** (10 marks)

- (a) Outline the features of ONE of Australia's multilateral trade agreements. **2**

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- (b) Outline TWO possible implications of the European Union's protectionist policy on the Australian economy **4**

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Question 22 (continued)

(c) Discuss the impact of Australia’s protection policies on firms in Australia. **4**

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**End of Question 22**

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Economics

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Section II (continued)

Student Number

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Teacher Initials

**Question 23** (10 marks)

- (a) Outline TWO reasons for difference in economic growth achieved by nations. **2**

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Question 23 cont.....

- (b) Describe the impact of globalisation on the distribution of income between countries. **3**

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**Question 23 continues on the next page.**

Question 23 (continued)

- (c) For an economy other than Australia, analyse the strategies used by the government to achieve economic growth. 5

Economy: \_\_\_\_\_

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**End of Question 23**

2013 HSC TRIAL EXAMINATION  
Economics

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Student Number

Section II (continued)

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Teacher Initials

**Question 24** (10 marks)

- (a) Outline the rationale of microeconomic policy. **2**

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- (b) Explain ONE way fiscal policy has affected income distribution in recent years. **2**

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**Question 24 continues on the next page.**

Question 24 (continued)

- (c) Describe ONE limitation of monetary policy in achieving Australia’s economic objectives. 2

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- (d) Analyse TWO potential conflicts among Australia’s economic objectives. 4

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**End of Question 24**





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HSC TRIAL  
EXAMINATION

# Economics: criteria

## General Instructions

- Reading time – 5 minutes
- Working time – 2 hours
- Write using a blue or black pen
- Board-approved calculators may be used
- Write your name and teacher's initials in the spaces provided  
Byrne AJB  
Parsons MTP  
Robertson MXR  
Walker LAW

**Total marks - 100**

### Section I

**20 marks**

- Attempt Questions 1-20
- Allow about 35 minutes for this section

### Section II

**40 marks**

- Attempt Questions 21-24
- Allow about 1 hour and 15 minutes for this section

### Section III

**20 marks**

- Attempt Question 25 or 26
- Allow about 35 minutes for this section

### Section IV

**20 marks**

- Attempt Question 27 or 28
- Allow about 35 minutes for this section



## Section I

Multiple Choice (20 marks)

<b>Question</b>	<b>Answer</b>	<b>Question</b>	<b>Answer</b>
<b>1</b>	B	<b>11</b>	B
<b>2</b>	B	<b>12</b>	A
<b>3</b>	C	<b>13</b>	C
<b>4</b>	D	<b>14</b>	A
<b>5</b>	D	<b>15</b>	C
<b>6</b>	B	<b>16</b>	C
<b>7</b>	C	<b>17</b>	C
<b>8</b>	B	<b>18</b>	D
<b>9</b>	C	<b>19</b>	B
<b>10</b>	A	<b>20</b>	D

## Section II

### Question 21 (10 marks)

Q	Suggested Answer & Criteria
21(a)	<p><b>Answer:</b> Aggregate demand = <math>C + I + G + X - M = 800 + 50 + 100 + 30 - 10 = \\$970b</math></p> <p><b>Criteria:</b> 2 marks: Correctly calculates answer of \$970b (note correct units) 1 mark: Correct formula for calculating Aggregate Demand or answer of \$970 or 970</p>
21(b)	<p><b>Answer:</b> Economic growth can have both positive and negative effects. Positive effects include: increases in real GDP per capita, living standards (especially as measured by HDI), reductions in unemployment (especially cyclical unemployment), increased ability to institute policies to address environmental issues. Negative effects include: possible inflation (especially if cyclical employment is low and the economy is approaching the NAIRU or if little excess capacity exists), spillover of demand into imports creating a higher CAD and possible issues regarding external stability, environmental impacts of resource depletion and negative externalities, while economic growth leads to higher levels of employment and increased incomes for low income groups the benefits may flow more to higher income groups leading to a less equal distribution of income and a higher Gini coefficient.</p> <p><b>Criteria:</b> 3-4 marks: Student correctly shows how economic growth has one positive and one negative effect. 1-2 mark: Student correctly shows how economic growth has one positive or one negative effect, or student identifies one positive and one negative effect but does not relate to economic growth.</p>
21(c)	<p><b>Answer:</b> Government can promote economic growth through influencing aggregate demand and/or aggregate supply. Aggregate demand is made up of C, G, I and X-M, which can be influenced through macroeconomic policy. Fiscal policy can increase C through reductions in income taxation, increases in social services etc, increase I by reducing company tax rates, increasing depreciation allowances etc, G through increased infrastructure expenditure, education, health, defence etc. Monetary policy can promote increases in aggregate demand through reductions in interest rates increasing borrowing by consumers and businesses, reducing savings, reducing the exchange rate and improving international competitiveness and exports. Aggregate supply can be increased through the introduction of successful microeconomic policy improving allocative, technical and dynamic efficiency in the economy. Microeconomic policy might include deregulation, reforms to PTEs, National Competition Policy, Innovation and industry policy, labour market reforms.</p> <p><b>Criteria:</b> 3-4 marks: Student correctly identifies one government influence on aggregate demand and one government influence on aggregate supply and correctly shows how this policy will promote economic growth. 1-2 mark: Student correctly identifies one government influence on aggregate demand or one government influence on aggregate supply and correctly shows how this policy</p>

	will promote economic growth or student identifies one influence on aggregate demand and aggregate supply.
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**Question 22** (10 marks)

<b>Q</b>	<b>Suggested Answer &amp; Criteria</b>
22(a)	<p><b>Answer:</b> Need to give features of ONE multilateral agreement – other members, detail of agreement, achievements. Note that Australia is NOT a member of ASEAN but it is a member of AANZFTA. Also, in terms of this question students need to be careful not to use a bilateral agreement even if Australia is a member of that agreement. APEC is a forum and not a multilateral agreement.</p> <p><b>Criteria:</b> 2 marks: Student identifies a multilateral agreement and correctly gives features 1 mark: Student identifies multilateral agreement</p>
22(b)	<p><b>Answer:</b> EU has established common levels of protect against imports from the rest of the world, especially in the case of agricultural imports and also free trade between member nations. This will reduce Australia exports to the EU and reduce production costs within the EU. Effects on the Australian economy would be reduced exports to the EU and so lower levels of production and employment in these industries, structural change in Australian, move to new markets especially Asia. Greater efficiency of production in EU could lead to cheaper imports into Australia, affecting import competing industries.</p> <p><b>Criteria:</b> 3-4 marks: Student provides the main features of two implications of protectionist policies. 1-2 mark: Student provides the main features of one implication of protectionist policies OR identifies two implications</p>
22(c)	<p>Discuss the impact of Australia’s protection policies on firms in Australia. Identify issues and provide points for and/or against</p> <p><b>Answer:</b> Over the last 25 years Australia has followed a policy of reducing levels of protection, from an average tariff level of 36% in 1968/9 to 23% in 1982/3 to 1.9% in 2010 and at the same time phasing out non-tariff barriers to trade (quotas and subsidies). Positive impacts include lower input costs for Australian producers that use imported components or raw materials, greater competition in the Australian economy leading to lower prices, reallocation of resources to more efficient industries, Australian industries become internationally competitive even on export markets. Negative impacts could include structural unemployment, inefficient producers going out of business, some production moving to overseas, government expenditure to firms on structural adjustment programs.</p> <p><b>Criteria:</b> 3-4 marks: Student demonstrates knowledge of Australia’s protection policies and identifies positive and negative impacts of policies 1-2 marks: Student demonstrates knowledge of Australia’s protection policies and provides positive or negative impacts of policies OR student provides theoretical analysis of the effect of increases in protection on an economy.</p>

**Question 23** (10 marks)

<b>Q</b>	<b>Suggested Answer &amp; Criteria</b>
23(a)	<p>Outline TWO reasons for difference in economic growth achieved by nations.</p> <p><b>Answer:</b> Students can outline domestic or global factors, including:</p> <ul style="list-style-type: none"> <li>• Global trade system</li> <li>• Global financial architecture</li> <li>• Global aid and assistance</li> <li>• Global technology flows</li> <li>• Domestic economic resources</li> <li>• Domestic institutional factors</li> </ul> <p><b>Criteria:</b> 2 marks: Student outlines TWO reasons for difference in economic growth achieved by nations 1 mark: Student outlines ONE reason for difference in economic growth achieved by nations</p>
23(b)	<p>Describe the impact of globalisation on the distribution of income between countries.</p> <p><b>Answer:</b></p> <p>Globalisation has contributed to a convergence in living standards in the global economy. The developing economies, in particular the BRICs, have achieved higher growth rates than advanced nations and are decreasing the gap between them and the advanced economies in incomes – thus improving the distribution of income. Least developed economies, including sub Saharan Africa, have experienced positive growth rates, and have marginally closed the very large income gap to the developed world. However, the distribution of income remains very unbalanced in the global economy.</p> <p><b>Criteria:</b> 3 marks: Student defines globalisation and describes the impact of globalisation on the distribution of income between countries 2 mark: Student outlines the impact of globalisation on the distribution of income between countries 1 mark: Student describes globalisation, or identifies an impact of globalisation on the distribution of income between countries</p>
23(c)	<p>For an economy other than Australia, analyse the strategies used by the government to achieve economic growth.</p> <p><b>Answer:</b></p> <p>Student answers may vary as a result of the country economy they select.</p> <p>A student would be expected to provide evidence of an understanding of specific strategies directed towards economic growth, and define economic growth in terms of</p>

	<p>growth in real GDP. A student would be expected to link the strategies to outcomes in real GDP for the economy discussed.</p> <p>Strategies will often relate to fiscal policies, monetary policies, tariff policy, currency policies and micro reform and responding to globalisation directed towards achieving sustainable levels of GDP growth.</p> <p><b>Criteria:</b></p> <p>Demonstrates a clear and concise and balanced understanding of the strategies used by the government to achieve economic growth in an economy other than Australia 5 marks</p> <hr/> <p>Demonstrates a sound and balanced understanding of the strategies used by the government to achieve economic growth in an economy other than Australia 4 marks</p> <hr/> <p>Describes the strategies used by the government to achieve economic growth in an economy other than Australia 3 marks</p> <hr/> <p>Outlines the strategies used by the government to achieve economic growth in an economy other than Australia 2 marks</p> <p>Identifies the strategies used by the government to achieve economic growth in an economy other than Australia 1 mark</p>
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**Question 24** (10 marks)

<b>Q</b>	<b>Suggested Answer &amp; Criteria</b>
24(a)	<p>Outline the rationale of microeconomic policy.</p> <p><b>Answer:</b></p> <p>Microeconomic policy is policies that are aimed to individual industries seeking to increase aggregate supply by improving the efficiency and productivity of producers. This shifts the aggregate supply curve, resulting in an increase in GDP and a decrease in the general level of prices.</p> <p><b>Criteria:</b></p> <p>2 marks: Student outlines the rationale of microeconomic policy 1 mark: Student identifies the rationale of microeconomic policy</p>

24(b)	<p>Explain ONE way fiscal policy has affected income distribution in recent years.</p> <p><b>Answer:</b></p> <p>Fiscal policy has affected income distribution in recent years by the increase in the tax free threshold from \$6,000 to \$18,000. This will positively affect income distribution as lower income earners will pay a lower average rate of tax.</p> <p>Students could also mention other policies, including:</p> <ul style="list-style-type: none"> <li>• Introduction of GST negatively impacting income distribution as it is regressive</li> <li>• Disability care payments will assist those (on average) which will be below average in terms of income distribution outcomes</li> </ul> <p><b>Criteria:</b>  2 marks: Student explains one way fiscal policy has affected income distribution in recent years  1 mark: Student identifies one way fiscal policy has affected income distribution in recent years</p>
24(c)	<p>Describe ONE limitation of monetary policy in achieving Australia's economic objectives.</p> <p><b>Answer:</b></p> <p>A limitation of monetary policy is the impact time lag. There is a delay between the announcement of a change to the target cash rate and a change in the level of inflation and economic activity of between 6-18 months. This is the period during which the transmission mechanism operates to affect the level of economic activity following the purchase or sale of commonwealth government securities to influence the</p> <p><b>Criteria:</b>  2 marks: Student describes ONE limitation of monetary policy in achieving Australia's economic objectives  1 mark: Student identifies identifies ONE limitation of monetary policy in achieving Australia's economic objectives</p>
24(d)	<p>Analyse TWO potential conflicts among Australia's economic objectives.</p> <p><b>Answer:</b></p> <p>Students identify elements and draw implications in relation to TWO conflicts. Examples could include:</p> <ul style="list-style-type: none"> <li>- Economic growth and environmental sustainability/income distribution</li> <li>- Inflation and unemployment</li> <li>- Economic growth and price stability</li> <li>- Price stability and currency stability</li> <li>- Economic growth and CAD</li> </ul>

	<p><b>Criteria:</b> 4 marks: Students analyse TWO potential conflicts among Australia's economic objectives. 2 marks: Students analyse ONE potential conflict among Australia's economic objectives 1 mark: Student identifies one potential conflict</p>
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## Section III

### Question 25 (20 marks)

Analyse the impact of Australian government policy on inflation and unemployment.

Criteria	Marks
<ul style="list-style-type: none"> <li>• Demonstrates factually precise and extensive knowledge of economic policies used by the Australian government that impact upon inflation and unemployment</li> <li>• Synthesises relevant economic data to support a comprehensive, contemporary and theoretical discussion in a sustained, logical and well-structured answer</li> <li>• Integrates economic terms, concepts, issues, relationships and theory</li> </ul>	17–20
<ul style="list-style-type: none"> <li>• Demonstrates a good knowledge of economic policies used by the Australian government that impact upon inflation and unemployment</li> <li>• Uses relevant data to develop a logical and well-structured response</li> <li>• Applies appropriate economic terms, relevant concepts, relationships and theory</li> </ul>	13–16
<ul style="list-style-type: none"> <li>• Demonstrates a satisfactory knowledge of economic policies used by the Australian government to impact upon inflation and unemployment</li> <li>• Uses relevant data to develop a coherent response</li> <li>• Applies appropriate economic terms, concepts and theory</li> </ul>	9–12
<ul style="list-style-type: none"> <li>• Sketches in general terms economic policies used by the Australian government to impact upon inflation and unemployment</li> <li>• Makes minimal use of data to develop a generalised response</li> <li>• Uses some economic terms and concepts</li> </ul>	5–8
<ul style="list-style-type: none"> <li>• Demonstrates elementary knowledge of economic policies, inflation and unemployment</li> <li>• Basic use of some terminology in a limited response</li> </ul>	1–4

*Answers may include:*

#### **Criteria:**

- Fiscal policy – role, function, detail
- Monetary policy - role, function, detail
- Microeconomic policy (factor & product markets)
- Inflation (demand pull/cost push/imported/expectations)
- Unemployment (cyclical/structural/underemployment/hidden/long term/NAIRU)
- Clear understanding of different government policies and their hypothetical and actual impact upon inflation and unemployment with reference to contemporary events in recent Australian economic history
- For example: Current budget deficits ranging from contractionary to expansionary to stimulate the economy and decrease unemployment – little impact currently on a very low inflation rate of 2.4%
- OR aggressive MP prior to 2008 to counter strong economic growth and contain inflation
- OR extensive microeconomic reform in the 1990's (decentralization of labour market) created strong labour productivity of 2.3% reducing inflationary pressure and increasing output...or trade policy reducing tariffs making imports cheaper and leading to less imported inflation



**Question 26** (20 marks)

Analyse the effects of changes in the value of the Australian dollar on the Australian economy. In your response you should refer to the economic information provided.

Criteria	Marks
<ul style="list-style-type: none"> <li>• Demonstrates factually precise and extensive knowledge of the effects that changes in the value of the Australian dollar have on the Australian economy.</li> <li>• Synthesises relevant economic data to support a comprehensive, contemporary and theoretical discussion in a sustained, logical and well-structured answer</li> <li>• Integrates economic terms, concepts, issues, relationships and theory</li> </ul>	17–20
<ul style="list-style-type: none"> <li>• Demonstrates a good knowledge of the effects that changes in the value of the Australian dollar have on the Australian economy.</li> <li>• Uses relevant data to develop a logical and well-structured response</li> <li>• Applies appropriate economic terms, relevant concepts, relationships and theory</li> </ul>	13–16
<ul style="list-style-type: none"> <li>• Demonstrates a satisfactory knowledge of the effects that changes in the value of the Australian dollar have on the Australian economy.</li> <li>• Uses relevant data to develop a coherent response</li> <li>• Applies appropriate economic terms, concepts and theory</li> </ul>	9–12
<ul style="list-style-type: none"> <li>• Sketches in general terms the effects that changes in the value of the Australian dollar have on the Australian economy.</li> <li>• Makes minimal use of data to develop a generalised response</li> <li>• Uses some economic terms and concepts</li> </ul>	5–8
<ul style="list-style-type: none"> <li>• Demonstrates basic knowledge of the effects that changes in the value of the Australian dollar have on the Australian economy.</li> <li>• Basic use of some terminology in a limited response</li> </ul>	1–4

**Answers may include:**

- Definition of exchange rate – Bi-lateral vs Multi-lateral (TWI)
- Types of ER systems – specifically floating ER adopted in Dec 1983
- Drivers of exchange changes (Relevant to the Australian ER story)
  - Demand factors – mining boom, TOT, China, FDI etc
  - Supply factors – Positive interest rate differential
- Exchange rate impacts (Methods A – examines by objectives)
  - Economic Growth (through X-M)
  - Employment (Trade exposed industries)
  - Inflation (imported/cost push aspects)
  - External Stability (BOP impacts)
- Method B (examine via Individuals, Business & Governments)
  - Impact on individuals (purchasing power, structural unemployment, import demand)
  - Impact on business (exporting businesses (Dutch Disease)vs importing businesses)
  - Impact on Government (structural unemployment, Subsidy payments, Revenue impacts)

## Section IV

### Question 27 (20 marks)

Criteria	Marks
<ul style="list-style-type: none"> <li>• Demonstrates factually precise and extensive knowledge of national and global environmental management strategies and economic growth issues and relates the impact of these strategies and issues to environmental outcomes using contemporary examples</li> <li>• Synthesises relevant economic data to support a comprehensive, contemporary and theoretical discussion in a sustained, logical and well-structured answer</li> <li>• Integrates economic terms, concepts, issues, relationships and theory</li> </ul>	17–20
<ul style="list-style-type: none"> <li>• Demonstrates quite good knowledge of most national and global environmental management strategies and economic growth issues and relates a few impacts impact of these strategies and issues to environmental outcomes with some examples</li> <li>• Uses relevant data to develop a logical and well-structured response</li> <li>• Applies appropriate economic terms, relevant concepts, relationships and theory</li> </ul>	13–16
<ul style="list-style-type: none"> <li>• Demonstrates a satisfactory knowledge of some national and global environmental management strategies and basic economic growth issues mentions environmental outcomes &amp; may offer examples</li> <li>• Uses relevant data to develop a coherent response</li> <li>• Applies appropriate economic terms, concepts and theory</li> </ul>	9–12
<ul style="list-style-type: none"> <li>• Sketches in general terms some environmental management strategies and/or economic growth issues</li> <li>• Makes minimal use of data to develop a generalised response</li> <li>• Uses some economic terms and concepts</li> </ul>	5–8
<ul style="list-style-type: none"> <li>• Demonstrates elementary knowledge of environmental issues and/or economic growth</li> <li>• Basic use of some terminology in a limited response</li> </ul>	1–4

*Answers may include:*

**Criteria:**

- Definition of environmental sustainability (accurate not close/made up)
- Environmental management approaches such as:
  - Regulations; definitions, examples, impacts on environment
  - Market based policies; definitions, examples, impacts on environment
  - Targets; definitions, examples, impacts on environment
  - International agreements; definitions, examples, impacts on environment
- Economic growth; definitions, examples, impacts on environment...students should identify that growth can have negative and positive consequences
- Graphs such as social cost curve, AD/AS curve, PPF curve are also relevant

**Question 28** (20 marks)

Criteria	Marks
<ul style="list-style-type: none"> <li>• Demonstrates factually precise and extensive knowledge of labour market policies and their impact upon the economic objectives of the Australian economy</li> <li>• Synthesises relevant economic data to support a comprehensive, contemporary and theoretical discussion in a sustained, logical and well-structured answer</li> <li>• Integrates economic terms, concepts, issues, relationships and theory</li> </ul>	17–20
<ul style="list-style-type: none"> <li>• Demonstrates a good knowledge of labour market policies and some of their impacts upon the economic objectives of the Australian economy</li> <li>• Uses relevant data to develop a logical and well-structured response</li> <li>• Applies appropriate economic terms, relevant concepts, relationships and theory</li> </ul>	13–16
<ul style="list-style-type: none"> <li>• Demonstrates a satisfactory knowledge of labour market policies and basic impacts upon the economic objectives of the Australian economy</li> <li>• Uses relevant data to develop a coherent response</li> <li>• Applies appropriate economic terms, concepts and theory</li> </ul>	9–12
<ul style="list-style-type: none"> <li>• Sketches in general terms some labour market policies and some economic objectives of the Australian economy</li> <li>• Makes minimal use of data to develop a generalised response</li> <li>• Uses some economic terms and concepts</li> </ul>	5–8
<ul style="list-style-type: none"> <li>• Demonstrates basic knowledge of labour market policies and may mention some economic objectives</li> <li>• Basic use of some terminology in a limited response</li> </ul>	1–4

**Answers may include:**

**Criteria:**

- Decentralization of the labour force including aspects of previous government policy (workchoices/fair work act)
- Link to microeconomic policy and aim to increase efficiency/output/AS although gains made mainly in 90's and labour productivity has fallen in 2000's..
- Policy aspects: awards, enterprise agreements, individual contracts, minimum wage, national employment standards (efficiency v equity)
- Cause (labour market policy) & effect – economic objectives with statistics for each
- Inflation – reduced due to efficiency gains
- Unemployment – reduced because of improved flexibility for employers although peeled back a little by Rudd/Gillard OR may increase if minimum wage rises are too large as always argued by business councils
- Eco growth – link to productivity and gains in growth
- Distribution of income – more equal if unemployment is reduced, minimum wage adjustments, may become less equal in strong economy with increased flexibility & reward for high skilled
- External stability – improve international competitiveness due to gains in labour productivity