NAME/NUMBER ………………………………

James Ruse Agricultural High School

Economics 2017

**Higher School Certificate**

**Trial Examination**

**Total Marks - 100**

**Section I**

Total marks (20)

**Attempt Questions 1 – 20**

Allow 35 minutes for this section

##### General Instructions

**Section II**

* Reading time – 5 minutes
* Working time – 3 hours
* Write using blue or black pen
* Board-approved calculators may be used

Total marks (40)

Attempt Questions 21 – 24

Allow about 1 hour and 15 minutes for this section

**Section III**

Total marks (20)

Attempt **EITHER** Question 25 or Question 26

Allow about 35 minutes for this section

**Section IV**

Total marks (20)

Attempt **EITHER** Question 27 or Question 28

Allow about 35 minutes for this section

**SECTION I**

**Total marks (20)**

**Attempt Questions 1 –20**

**Allow about 35 minutes for this section**

Answer the questions on the sheet provided

1. Which of the following economic policy combinations will tend to increase aggregate demand?

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Economic Policy** | **Economic Policy** | **Economic Policy** |
| (A) | Decrease in interest rates | Increase in investment incentives | Increase in government expenditure |
| (B) | Decrease in investment incentives | Decrease in government expenditure. | Decrease in direct taxation |
| (C) | Increase in interest rates | Market sales by the Reserve Bank | Increase in government expenditure. |
| (D) | Increase in interest rates | Increase in investment incentives | Increase in direct taxation |

1. If the Reserve Bank were to maintain an inflated exchange rate of $A1 = US.95c. what would be the effects of this policy on interest rates and the money supply?

|  |  |  |
| --- | --- | --- |
|  | **Interest Rates** | **Money Supply** |
| (A) | Lower interest rates | Increased money supply |
| (B) | Higher interest rates | Decreased money supply |
| (C) | Higher interest rates | Increased money supply |
| (D) | Lower interest rates | Decreased money supply |

1. What does enterprise bargaining conflict with?
2. Control of inflation
3. Social equality
4. Capacity to pay
5. Centralised wage fixing

100

Cumulative %

A

B

0

Household

1. What effect would a shift of the Lorenz curve (B) towards the diagonal line (A) have on the gini coefficient and distribution of income?

|  |  |  |
| --- | --- | --- |
|  | **Gini Coefficient** | **Distribution of Income** |
| (A) | Increase | More equitable |
| (B) | Decrease | More equitable |
| (C) | Decrease | Less equitable |
| (D) | Increase | Less equitable |

1. What is the trade-off between short run employment/output and long run prices known as?
2. Economic growth
3. Money Supply
4. Phillips curve
5. Inflationary expectations
6. What does an improvement in the terms of trade mean?
7. The current account will be in deficit
8. Exports will buy less imports
9. The current account will be in surplus
10. Exports will buy more imports

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Year 1** | **Year 2** | **Year 3** |
| Government Expenditure | 100 | 110 | 120 |
| Government Revenue | 100 | 90 | 100 |
| Deficit/Surplus | Balance budget | -20 | -20 |
| GDP | 500 | 450 | 480 |
| Unemployment % | 5 | 10 | 8 |

1. Why is the budget in deficit in both years 2 and 3?

|  |  |  |
| --- | --- | --- |
|  | **Year 2** | **Year 3** |
| (A) | The economy moved into recession | Aged pension payments increased |
| (B) | Government spending increased rapidly | Unemployment fell |
| (C) | The economy moved into recession | Government cut taxes |
| (D) | GDP fell | Unemployment increased |

1. What could cause a shift to the left in the aggregate supply curve for a country?
2. A rise in per-unit production costs
3. A fall in per-unit production costs
4. A fall in private spending
5. A rise in private spending

1. What will an appreciation of the $A against the Trade Weighted Index (TWI) tend to do?
2. Increase demand for our exports
3. International competitiveness will decrease
4. Increase the cost of imported raw materials
5. Increase the effective rate of protection to Australian industry
6. What is a benefit of a more equitable distribution of income?
7. A reduction in the level of direct taxation
8. An increase in government spending on welfare
9. An increase in the level of employment
10. A more egalitarian society
11. If unemployment was at its natural rate (NAIRU), what would be the government’s policy to reduce unemployment?
12. Increase the structural component of government spending
13. Reduce interest rates to encourage spending
14. Increase the tax free threshold to low income earners
15. Provide programs and training for the structurally unemployed
16. What does the Federal Government achieve by using its budget surplus to retire past debt?
17. Decrease its future interest obligations
18. Decrease the Australian money supply
19. Increase the burden on future generations
20. Increase its contractionary fiscal stance
21. When is allocative efficiency achieved?
22. Where the firm is able to shift resources between industries efficiently
23. Where the economy is operating on its production possibility frontier
24. Where the economy is able to maximise output for a given level of input
25. Where the economy is responsive to consumer demand
26. How could an increase in demand for goods and services from overseas buyers impact on an economy?

|  |  |  |
| --- | --- | --- |
| (A) | Increase in its export sales | Increase in economic growth |
| (B) | Increase in its import sales | Decrease in economic growth |
| (C) | Decrease in its export sales | Increase in economic growth |
| (D) | Decrease in its import sales | Decrease in economic growth |

Expenditure

AS

AD

###### Income (m)

300 600

1. If equilibrium exists at $300m, what could the government do to ensure full employment at income $600m, if the MPC is 0.5?
2. Increase government spending by $300m
3. Decrease government spending by $300m
4. Increase government spending by $150m
5. Decrease government spending by $150m
6. When will real wages fall?

|  |  |  |
| --- | --- | --- |
|  | **Money Wage** | **Inflation** |
| (A) | Falls | Falls |
| (B) | Rise | Constant |
| (C) | Constant | Rise |
| (D) | Constant | Constant |

The diagram below represents the impact of a tariff on the Australian market

Price

D S

P G

P2 E F H

P3 I J

O A B C D

Output

1. What would be the effect of imposing a tariff at 0P2?

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | **Domestic Demand** | **Domestic Supply** | **Imports** | **Government Revenue** | | (A) | 0C | 0B | BC | FGH | | (B) | 0B | EH | FH | ABE | | (C) | 0A | 0D | CD | P2EF | | (D) | 0C | 0B | BC | EHIJ | |

The diagram below shows the demand and supply for the Australian dollar

S

$US/$A

D

D

6 12 19

Quantity of $A (billion)

0.60

0.55

0

1. What would be the effects of the Reserve Bank’s policy if it were to maintain an exchange rate of $1 = US60c?

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Demand for $A** | **Supply of $A** | **Reserve Bank Action** |
| (A) | Expansion of $A6 billion | Contraction of $A7 billion | Buy $A7 billion |
| (B) | Decrease by $A12 billion | Increase by $A19 billion | Sell $A7 billion |
| (C) | Increase by $A6 billion | Decrease by $A7 billion | Sell $A13 billion |
| (D) | Contraction of $A6 billion | Expansion of $A7 billion | Buy $A13 billion |

1. What are the main objectives of economic management in the Australian economy?
   * 1. Economic growth, full employment and low inflation
     2. Economic growth, internal balance and external balance
     3. Economic growth, low inflation and microeconomic reform
     4. Macroeconomic policy and microeconomic policy

The diagram below shows the demand and supply curve of a firm.

D S1 (social costs)

S (private costs)

P2

P1

S1 S D (Private benefits)

0

Q2 Q1 Resources

1. What implications are there to the environment when the supply curve has moved from SS to S1S1?

|  |  |  |
| --- | --- | --- |
|  | **Resources** | **Environment** |
| (A) | Depleted | Degraded |
| (B) | Depleted | Improved |
| (C) | Conserved | Improved |
| (D) | Conserved | Degraded |

**End of Section I**

**SECTION II**

**Total Marks 40**

**Attempt Questions 21 – 24 in the space provided**

**Allow about 1 hour and 15 minutes for this section.**

**Question 21 (10 marks)**

|  |  |  |  |
| --- | --- | --- | --- |
|  | Year 1 | Year 2 | Year 3 |
| Population | 42,000,000 | 44,000,000 | 47,000,000 |
| Employed | 17,500,000 | 19,000,000 | 21,500,000 |
| Unemployed | 980,000 | 2,150,000 | 3,000,000 |

1. Define unemployment 1 mark

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1. Using the data above, calculate the unemployment rate for Year 2 1 mark

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1. Use the data above to describe the trend in unemployment between years 1 and 3

2 marks

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1. Describe and account for the current trends in unemployment in the Australian economy 6 marks

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**Question 22 (10 marks)**

100

Cumulative %

0

Household

1. Distinguish between the economic concepts of income and wealth 1 mark

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1. On the diagram above, draw an additional Lorenz curve that represents a more inequitable distribution of income for the given country 1 mark
2. Explain ONE economic benefit AND ONE social coast resulting from inequality in the distribution of income in the Australian economy. 4 marks

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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1. Evaluate TWO options available to the Australian government to further reduce the level of income inequality within the Australian economy 4 marks

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**Question 23 (10 marks)**

The table shows selected data for an economy that uses a floating exchange rate system.

|  |  |
| --- | --- |
| Components of the current account | $ billion ($bn) |
| Exports of goods and services | 347 |
| Imports of goods and services | 416 |
| Net Primary income | -186 |
| Net secondary income | -6 |

1. Calculate the balance on capital and financial account for this economy

1 mark

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b) Explain the economic constraints experienced in the Australian economy as a result of persistent Current Account deficits 4 marks

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c) Explain ONE microeconomic reform aimed at improving Australia’s current account deficit AND assess the reform’s effect on unemployment in the short run and long run 5 marks

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**Question 24 (10 marks)**

1. Identify ONE bilateral AND ONE multilateral free trade agreement that Australia is a signatory to 2 marks

Bilateral \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Multilateral \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. Outline THREE key features of one of the above free trade agreements 3 marks

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1. Assess the impact of Australia’s increased involvement in Free Trade Agreements on any TWO of the following economic issues- Unemployment, Economic Growth, Inflation, Distribution of Income and Wealth, External Stability or Environment Sustainability 5 marks

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#### Section III

**Total marks (20)**

**Attempt Question 25 OR Question 26**

**Allow about 35 minutes for this section.**

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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)

Discuss the implications of continued budget deficits on the performance of the Australian economy.

|  |
| --- |
| The budget bottom line will not return to surplus in the next four years, with a deficit of about $7 billion forecast for 2018-19.  Australian Treasury 2015 |

|  |
| --- |
| The budget inflicts pain on most of the population, young and old: young people lose any right to unemployment benefits for a minimum of six months, uni students will pay more for degrees, pensions will be less generous, two million families will lose part or all of their family payments, the free visit to the doctor is history for almost all, motorists will pay more for petrol, high income earners will pay a new 2 per cent tax levy.  Peter Harcher SMH 2014/15 |

### 

### Underlying cash balance projected to 2024‑25

|  |
| --- |
| There was (and is) a longer-term problem, …with the budget  : the gap between revenue and spending, the budget's "Jaws" in financial parlance, are narrowing at a time when the government is already running a deficit that in the year to June will be 1.5 per cent of gross domestic product.  Malcom Maiden SMH Budget 2014/15 |

### http://www.budget.gov.au/2014-15/content/myefo/images/03_part_3-2.gif

Budget 2015

### OR

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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

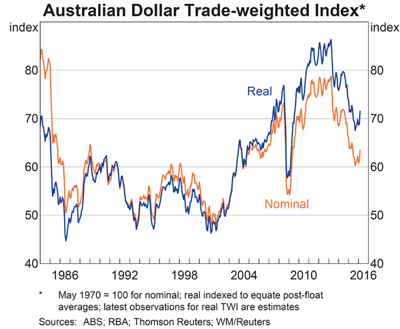
■ present a sustained, logical and cohesive response

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#### Question 26 (20 marks)

**Discuss the causes and effects of recent changes in Australia’s exchange rates.**

|  |
| --- |
| The exposure of the Australian economy to currency instability is primarily sourced to our vulnerability to sharp falls in international commodity prices and our reliance on foreign borrowings |

[](http://www.rba.gov.au/chart-pack/exchange-rates.html#2)

|  |
| --- |
| It's more than four years since a record-high Aussie threatened to destroy manufacturing and hamstring the economy. Instead, the currency's steepest three-year slide since it was floated in 1983 is working its magic -- a weaker local dollar has spurred record tourist arrivals and education income. Candice Zachariahs SMH 2016 |

#### Section IV

**Total marks (20)**

**Attempt either**

**Question 27 or Question 28**

**Allow about 35 minutes for this section**

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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 information, terms, concepts, relationships and theory

■ present a sustained, logical and cohesive response

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**Question 27** (20 marks)

Evaluate strategies used to promote economic growth and development in the current economic climate in the **Australian economy**.

### OR

**Question 28** (20 marks)

Evaluate strategies used to promote economic growth and development in the current economic climate in an economy **other than Australia**.

**End of Paper**

NAME/NUMBER ………………………………

**SECTION I**

**Total marks (20)**

**Attempt Questions 1 –20**

**Allow about 35 minutes for this section**

Select the alternative A, B, C, or D that best answers the question. Fill in the response oval completely.

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 

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 
6. A  B  C  D 
7. A  B  C  D 
8. A  B  C  D 
9. A  B  C  D 

1. A  B  C  D 
2. A  B  C  D 
3. A  B  C  D 

1. A  B  C  D 
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**ANSWERS**

**Multiple choice**

|  |
| --- |
| ***Nature of question*** |
| **1. A** Micro economics |
| **2. B** Monetary Policy |
| **3. D** Labour |
| **4. B** Distribution of Income and Wealth |
| **5. C** Phillips Curve |
| **6. D** Balance of Payments |
| **7. A** Fiscal Policy |
| **8. A** Micro economics |
| **9. B** Exchange rates |
| **10. C** Distribution of Income and Wealth |
| **11. D** Labour |
| **12. A** Fiscal Policy |
| **13. B** Micro economics |
| **14. A** Balance of Payments |
| **15. C** Government Policies |
| **16. C** Inflation |
| **17. D** Subsidies |
| **18. D** Macro economics |
| **19. B** Government Objectives |
| **20. C** Environmental Economics |

**Question 25** (20 marks)

***Discuss the implications of a growing deficit budget on the performance of the Australian economy.***

**MARKING GUIDELINES**

|  |  |
| --- | --- |
| **Criteria** | **Marks** |
| * Demonstrates a clear and concise knowledge and understanding of the implications of a growing deficit budget on the Australian economy * Integrates appropriate economic terms, relevant concepts, relationships and theory * Synthesises own information with the information provided to develop a sustained, logical and cohesive response | 17-20 |
| * Demonstrates a clear knowledge and understanding of the implications of a growing deficit budget on the Australian economy * Consistently uses appropriate economic terms, relevant concepts, relationships and theory * Uses own information and the information provided to develop a logical and cohesive response | 13-16 |
| * Describes the growing deficit budget on the Australian economy * Uses appropriate economic terms, concepts and relationships * Uses own information and the information provided to develop a coherent response | 9-12 |
| * Outlines some aspects the growing deficit budget on the Australian economy * Uses some appropriate economic terms, concepts and relationships * Uses information to develop a generalised response | 5-8 |
| * Makes some reference to a deficit budget and may make some reference to the Australian economy * Uses some economic terms and/or concepts * Presents a limited response | 1-4 |

***Answers could include***

***Explanation of a growing deficit budget***

***Reference to types of budgets***

***Reverence to cyclical and structural components of a budget***

***Refer to growing deficit budget on economic growth, employment, external stability, price stability, education, health, environment, income distribution and wealth.***

***Continued economic stimulation through budget deficits can create a problem of high public debt, reduced private sector investment, CAD, future generations etc.***

***Federal government’s response in reigning in the growing budget deficit via reduced spending or increasing taxation and implications on the Australian economy. Reference to 13/14 budget regarding cuts in education, health, scientific research, environmental quality etc.***

***Conflicting aims of the government’s economic objectives***

#### Question 26 (20 marks)

***Discuss the causes and effects of recent changes in Australia’s exchange rates.***

**MARKING GUIDELINES**

|  |  |
| --- | --- |
| **Criteria** | **Marks** |
| * Demonstrates a clear and concise knowledge and understanding of the causes and effects of recent changes in Australia’s exchange rates * Integrates appropriate economic terms, relevant concepts, relationships and theory * Synthesises own information with the information provided to develop a sustained, logical and cohesive response | 17-20 |
| * Demonstrates clear knowledge and understanding of the causes and effects of recent changes in Australia’s exchange rates * Consistently uses appropriate economic terms, relevant concepts, relationships and theory * Uses own information and the information provided to develop a logical and cohesive response | 13-16 |
| * Describes some causes and effects of recent changes in Australia’s exchange rates * Uses some of the information provided * Uses appropriate economic terms, concepts and relationships * Uses own information and the information provided to develop a coherent response | 9-12 |
| * Outlines some causes and effects of recent changes in Australia’s exchange rates * Uses some appropriate economic terms, concepts and relationships * Uses information to develop a generalised response | 5-8 |
| * Makes some mention of Australia’s exchange rates and/or some causes and effects * Uses some economic terms and/or concepts * Presents a limited response | 1-4 |

***Answers could include***

* ***Explanation of Australia’s free floating exchange rate –referring to recent fluctuations in the Australian dollar***
* ***Reference to appreciation/depreciation and their causes. This should be linked to supply and demand for Australian dollars.***
* ***Some causes could include-changes in Australia’s interest rates and trading partners, changes in commodity prices, changes in terms of trade, demand for mineral resources, speculation etc.***
* ***Some effects could include –changes in: international competitiveness, foreign investment impacting on businesses especially domestic manufacturing, aviation and the car industry, economic growth and domestic employment, level of inflation, tourism, minerals sector, services sector, capital inflows, CAD and terms of trade, servicing of foreign debt .***

**Question 27** (20 marks)

***Evaluate the main strategies used to promote economic growth and development in the current economic climate in the Australian economy.***

**MARKING GUIDELINES**

|  |  |
| --- | --- |
| Criteria | Marks |
| * Demonstrates a clear and concise knowledge and understanding of the strategies used to promote economic growth and development in the current economic climate in the Australian economy. * Integrates appropriate economic terms, relevant concepts, relationships and theory * Synthesises own information with the information provided to develop a sustained, logical and cohesive response | 17-20 |
| * Demonstrates clear knowledge and understanding of the strategies used to promote economic growth and development in the current economic climate in the Australian economy. * Consistently uses appropriate economic terms, relevant concepts, relationships and theory * Uses own information and the information provided to develop a logical and cohesive response | 13-16 |
| * Describes strategies to promote economic growth and development in the Australian economy * Uses some of the information provided * Uses appropriate economic terms, concepts and relationships * Uses own information and the information provided to develop a coherent response | 9-12 |
| * Outlines some strategies to promote economic growth and development in the Australian economy * Uses some appropriate economic terms, concepts and relationships * Uses information to develop a generalised response | 5-8 |
| * Makes some mention of strategies and may refer to economic growth and development. * Uses some economic terms and/or concepts * Presents a limited response | 1-4 |

***Answers could include:***

* ***Identify the main strategies used- includes macroeconomic policies such as monetary policy, fiscal policy and microeconomic policies such as structural change***
* ***Refer to governments economic objective s and distinction between–economic growth and economic development which includes full employment, education, health, environmental management and an equal distribution of income and wealth***
* ***Outline using statistics on the levels of economic growth and economic development in Australia***
* ***Explanation of sustainable economic growth – low levels of inflation, real GDP, economic growth, full employment, external stability, environmental sustainability, welfare measures.***
* ***Microeconomic reforms promote structural change in product and factor markets e.g. changes to industrial relations, education and health business and technology etc.***
* ***Issues with structural change in the short term.***
* ***How effective have these policies been in achieving the government’s objectives of economic growth and economic development?***
* ***Reference to the global economy and measures taken by the government that impacts on Australia’s economic growth and development e.g. trade agreements***

**Question 28** (20 marks)

***Evaluate strategies used to promote economic growth and development in the current economic climate in an economy other than Australia.***

**MARKING GUIDELINES**

|  |  |
| --- | --- |
| **Criteria** | **Marks** |
| * Demonstrates a clear and concise knowledge and understanding of strategies used to promote economic growth and development in the current climate in an economy other than Australia * Integrates appropriate economic terms, relevant concepts, relationships and theory * Synthesises own information with the information provided to develop a sustained, logical and cohesive response | 17-20 |
| * Demonstrates a clear knowledge and understanding of strategies used to promote economic growth and development in the current climate in an economy other than Australia * Consistently uses appropriate economic terms, relevant concepts, relationships and theory * Uses own information and the information provided to develop a logical and cohesive response | 13-16 |
| * Explains some strategies used to promote economic growth and development in the current climate in an economy other than Australia * Uses appropriate economic terms, concepts and relationships * Uses own information and the information provided to develop a coherent response | 9-12 |
| * Outlines some strategies used to promote economic growth and development in an economy other than Australia * Uses some appropriate economic terms, concepts and relationships * Uses information to develop a generalised response | 5-8 |
| * Mentions some strategies used to promote economic growth and/or development in an economy other than Australia * Uses some economic terms and/or concepts * Presents a limited response | 1-4 |

***Answers could include:***

***Answers are difficult to specify due to wide range of case studies. However some general points to cover:***

* ***Explanation of the general characteristics of an economy other than Australia***
* ***Distinguish between economic growth and economic development –give specific examples***
* ***Refer to economic indicators of this country –GDP, HDI, employment/unemployment, inflation/deflation, investment, consumption, savings, exports/imports, education***
* ***May outline the performance of their selected country with comparison to Australia and may include some other economies***
* ***Identify government strategies that impact on economic growth and economic development***
* ***Importance of globalisation on the economy e.g. trade agreements, investment flows, financial flows, TNC, technology, imports, exports etc.***

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10. ..

**ANSWERS**

**Multiple choice**

|  |
| --- |
| ***Nature of question*** |
| **1. A** Micro economics |
| **2. B** Monetary Policy |
| **3. D** Labour |
| **4. B** Distribution of Income and Wealth |
| **5. C** Phillips Curve |
| **6. D** Balance of Payments |
| **7. A** Fiscal Policy |
| **8. A** Micro economics |
| **9. B** Exchange rates |
| **10. C** Distribution of Income and Wealth |
| **11. D** Labour |
| **12. A** Fiscal Policy |
| **13. B** Micro economics |
| **14. A** Balance of Payments |
| **15. C** Government Policies |
| **16. C** Inflation |
| **17. D** Subsidies |
| **18. D** Macro economics |
| **19. B** Government Objectives |
| **20. C** Environmental Economics |

***Question 21*** *(10 marks)*

1. *Define Unemployment?*

*.*

|  |  |
| --- | --- |
| ***Criteria*** | ***Marks*** |
| * *Correctly defines unemployment* | *1* |

***Answers could include***

***Unemployment refers to that section of the labour force willing and able to work but unable to find gainful employment***

1. *Using the data above calculate the unemployment rate for year 2?*

*.*

|  |  |
| --- | --- |
| ***Criteria*** | ***Marks*** |
| * *Correctly explains how the unemployment rate is calculated for year 2* | 1 |

***Answers could include***

**Unemployment rate (%) = Number of persons unemployed x 100= 10.16%**

**Total labour force**

1. *Use the data above to describe the trend in unemployment between years 1 and 3.*

|  |  |
| --- | --- |
| ***Criteria*** | ***Marks*** |
| * *Correctly describes the trend in unemployment between the years 1and 3* | 2 |
| * *Simple description of the trend in the unemployment rate between the years* | 1 |

***Answers could include***

* ***The trend in unemployment requires calculating the increase in unemployment and the increase in the workforce between years 1 and 3***
* ***Refers to rates of 5.3, 10.16 and 12.24 for the 3 years, showing an upward trend***

1. *Describe and account for the current trends in unemployment in the Australian economy?*

|  |  |
| --- | --- |
| ***Criteria*** | ***Marks*** |
| * *Correctly describes the trend in unemployment in Australia* | 5-6 |
| * *Provides a general discussion of the trend in unemployment in Australia* | 3-4 |
| * *Outlines some aspects of trend in unemployment in Australia* | 1-2 |

***Answers could include***

* *Currently unemployment rate is 5.2%. (at time of publishing, may need adjusting)*
* *Reference to structural unemployment with regard to manufacturing sector*
* *Changing nature of jobs- movement from manufacturing sector to services sector*
* *Reference to the decline in demand for our mining resources due to the changing nature and economic conditions of our trading partners – China in particular*
* *Cyclical unemployment and economic growth low*
* *Economic growth and very low inflation rates*
* *Higher Australian dollar affecting competitiveness*

**Question 22** (10 marks)

1. *Distinguish between the economic concepts of income and wealth?*

|  |  |
| --- | --- |
| **Criteria** | **Marks** |
| * *Clearly distinguishes between the economic concepts of income and wealth* | 1 |

***Answers could include***

* ***Income*** is a flow which includes the return to the owners of resources (land, labour, capital and enterprise) in the form of rent, wages, interest, profit and dividends.
* *Wealth is the value of the stock of assets held by individuals at a point in time*

1. *On the diagram above draw an additional Lorenz curve that represents a more inequitable distribution of income for the given country*

|  |  |
| --- | --- |
| **Criteria** | **Marks** |
| * *Correctly draws a Lorenz curve representing a more inequitable distribution of income* | 1 |

***Answers could include***

* *Lorenz curve- the further away is the curve from the line of absolute equality the greater the degree of income inequality. The Lorenz curve will move further to the right.*

1. *Explain one economic benefit and one social cost resulting from inequality in the distribution of income in the Australian economy*

|  |  |
| --- | --- |
| *Criteria* | *Marks* |
| * *Clearly explains one economic and one social impacts of growing inequality* | 3-4 |
| * *Simple explanation of one economic and one social impacts of growing inequality*   *or*   * *Discusses either one economic or one social impact of growing inequality* | 1-2 |

***Answers could include***

* *Economic impact can include –reduction in overall utility, consumption is reduced leading to lower investment and production, welfare spending rises to support those on lower income, loss of incentive occurs and lower income earners can actually be less productive and may drop out of the workforce, ‘conspicuous consumption’ is created.*
* *Social impact can include – social class divisions such as class tensions, industrial disputes, increased crime and violence*

1. *Evaluate two options available to the Australian government to further reduce the level of income inequality within the Australian economy*

|  |  |
| --- | --- |
| *Criteria* | *Marks* |
| * *Clearly evaluates two options to further reduce the level of income inequality* | 3-4 |
| * *Simple explanation of two options to further reduce the level of income inequality*   *or*   * *Evaluates one options to further reduce the level of income inequality* | 1-2 |

*Answers could include*

***Government policies such as progressive income tax, social welfare payments, government services and compulsory superannuation have reduced income inequality.***

**Question 23** (10 marks)

1. *Calculate the balance on capital and financial for this economy.*

|  |  |
| --- | --- |
| ***Criteria*** | ***Marks*** |
| * *Correctly calculates the balance on capital and financial for this economy* | 1 |

***Answers could include:***

* *.$-261bn*

1. *Explain the economic constraints experienced in the Australian economy as a result of persistent Current Account deficits*

|  |  |
| --- | --- |
| ***Criteria*** | ***Marks*** |
| * *Clearly explains the economic constraints experienced in the Australian economy as a*   *result of persistent Current Account deficits* | 2-4 |
| * *Simple outline of the economic constraints experienced in the Australian economy as a*   *result of persistent Current Account deficits* | 1-2 |

***Answers could include:***

* *Persistent CAD can lead to sustainability of debt servicing levels*
* *Economy becomes more vulnerable to external shocks*
* *Cost of borrowing increases – higher prices in the economy*
* *May conflict with internal policy goals e.g. Economic growth and external constraints*
* *Attracting foreign investment difficult-leads to uncertainty*
* *greater exchange rate volatility, higher interest rates,*
* *-increasing debt servicing costs, slower economic growth*

1. *Explain one microeconomic reform aimed at improving Australia’s current account deficit and asses the reforms’ on unemployment in the short run and long run*

|  |  |
| --- | --- |
| *Criteria* | *Marks* |
| * *Clearly explains one microeconomic reform* | 4-5 |
| * *General explanation of one microeconomic reform* | 2-3 |
| * *Simple explanation of one microeconomic reform* | 1 |

***Answers could include:***

* *Microeconomic reforms promote structural change in product and factor markets. Any specific examples can be used e.g. labour market improve productivity and competitiveness for export goods and services.*
* *Broadening X base- ETM’s and ITC’s and less reliance on commodity goods-improves T/T, B on g& s.*
* *Increased efficiency/productivity( structural change) for X – increases international competitiveness*

**Question 24** (10 marks)

1. *Identify one bilateral and one multilateral free trade agreement that Australia is a signatory to*

|  |  |
| --- | --- |
| ***Criteria*** | ***Marks*** |
| * + *Clearly identifies one bilateral and one multilateral free trade agreement that Australia is*   *a signatory to* | *2* |
| * + *Simple explanation of one bilateral and one multilateral free trade agreement that Australia*   *is a signatory to*  *or*   * + *Clearly identifies either one bilateral or one multilateral free trade agreement that Australia*   *is a signatory to* | *1* |

***Answers could include:***

* *A description on any one of the following bi-lateral agreement –CETA, SAFTA, TAFTA, AUSFTA*
* *A description of a multi-lateral agreement such as APEC, WTO ChAFTA, KAFTA, MAFTA, ASEAN etc.*

1. *Outline three key features of one of the above free trade agreements*

|  |  |
| --- | --- |
| ***Criteria*** | ***Marks*** |
| * *Clearly outlines three key features* | *2-3* |
| * *Outlines ONE trade agreement and ONE impact or identifies either or ONE trade*   *agreement or ONE impact* | *1* |

***Answers could include:***

* *Depending on the free trade agreement - key features could include any of the following -economies of scale, benefits of comparative advantage, greater resource efficiency, higher standards of living, obtain goods and services that cannot be produced, greater access to a variety of goods and services, access to foreign markets with large population, cheaper goods and services.*

1. *Assess the impact of Australia’s increased involvement in free trade agreements on any two of the following economic issues- unemployment, economic growth, inflation, distribution of income and wealh, external stabhility or environment sustainability*

3

|  |  |
| --- | --- |
| ***Criteria*** | ***Marks*** |
| * *Clearly assess the impact of Australia’s increased involvement in free trade agreements on*   *any two of the issues* | 4-5 |
| * *Provides a general assessment of Australia’s increased involvement in free trade agreements*   *on any two of the issues*  *or*   * *Clearly assess the impact of Australia’s increased involvement in free trade agreements on*   *any one of the issues* | 2-3 |
| * *Simple explanation of Australia’s increased involvement in free trade agreements on any*   *one of the issues* | 1 |

***Answers could include:***

* *Multi-lateral and bi-lateral trade agreement aim to reduce the artificial barriers to trade between two or more*

*countries. By removing these barriers - unemployment, economic growth, inflation, distribution of income and*

*wealh, external stabhility or environment sustainability can all be affected any two of these issues may be*

*addressed e.g. Australian business must compete internationally.*

*Australian manufacturing industries have found it very hard to compete with overseas manufactures and affects*

*the level of employment in Australia.*

*These could be due to the inability for production to compete competitively with overseas goods. Our high*

*Australian dollar, our high cost of production and the need to increase productivity and possible lack of*

*investment by industry has impacted on production.*

**Question 25** (20 marks)

***Discuss the implications of a growing deficit budget on the performance of the Australian economy.***

**MARKING GUIDELINES**

|  |  |
| --- | --- |
| **Criteria** | **Marks** |
| * Demonstrates a clear and concise knowledge and understanding of the implications of a growing deficit budget on the Australian economy * Integrates appropriate economic terms, relevant concepts, relationships and theory * Synthesises own information with the information provided to develop a sustained, logical and cohesive response | 17-20 |
| * Demonstrates a clear knowledge and understanding of the implications of a growing deficit budget on the Australian economy * Consistently uses appropriate economic terms, relevant concepts, relationships and theory * Uses own information and the information provided to develop a logical and cohesive response | 13-16 |
| * Describes the growing deficit budget on the Australian economy * Uses appropriate economic terms, concepts and relationships * Uses own information and the information provided to develop a coherent response | 9-12 |
| * Outlines some aspects the growing deficit budget on the Australian economy * Uses some appropriate economic terms, concepts and relationships * Uses information to develop a generalised response | 5-8 |
| * Makes some reference to a deficit budget and may make some reference to the Australian economy * Uses some economic terms and/or concepts * Presents a limited response | 1-4 |

***Answers could include***

***Explanation of a growing deficit budget***

***Reference to types of budgets***

***Reverence to cyclical and structural components of a budget***

***Refer to growing deficit budget on economic growth, employment, external stability, price stability, education, health, environment, income distribution and wealth.***

***Continued economic stimulation through budget deficits can create a problem of high public debt, reduced private sector investment, CAD, future generations etc.***

***Federal government’s response in reigning in the growing budget deficit via reduced spending or increasing taxation and implications on the Australian economy. Reference to 13/14 budget regarding cuts in education, health, scientific research, environmental quality etc.***

***Conflicting aims of the government’s economic objectives***

#### Question 26 (20 marks)

***Discuss the causes and effects of recent changes in Australia’s exchange rates.***

**MARKING GUIDELINES**

|  |  |
| --- | --- |
| **Criteria** | **Marks** |
| * Demonstrates a clear and concise knowledge and understanding of the causes and effects of recent changes in Australia’s exchange rates * Integrates appropriate economic terms, relevant concepts, relationships and theory * Synthesises own information with the information provided to develop a sustained, logical and cohesive response | 17-20 |
| * Demonstrates clear knowledge and understanding of the causes and effects of recent changes in Australia’s exchange rates * Consistently uses appropriate economic terms, relevant concepts, relationships and theory * Uses own information and the information provided to develop a logical and cohesive response | 13-16 |
| * Describes some causes and effects of recent changes in Australia’s exchange rates * Uses some of the information provided * Uses appropriate economic terms, concepts and relationships * Uses own information and the information provided to develop a coherent response | 9-12 |
| * Outlines some causes and effects of recent changes in Australia’s exchange rates * Uses some appropriate economic terms, concepts and relationships * Uses information to develop a generalised response | 5-8 |
| * Makes some mention of Australia’s exchange rates and/or some causes and effects * Uses some economic terms and/or concepts * Presents a limited response | 1-4 |

***Answers could include***

* ***Explanation of Australia’s free floating exchange rate –referring to recent fluctuations in the Australian dollar***
* ***Reference to appreciation/depreciation and their causes. This should be linked to supply and demand for Australian dollars.***
* ***Some causes could include-changes in Australia’s interest rates and trading partners, changes in commodity prices, changes in terms of trade, demand for mineral resources, speculation etc.***
* ***Some effects could include –changes in: international competitiveness, foreign investment impacting on businesses especially domestic manufacturing, aviation and the car industry, economic growth and domestic employment, level of inflation, tourism, minerals sector, services sector, capital inflows, CAD and terms of trade, servicing of foreign debt .***

**Question 27** (20 marks)

***Evaluate the main strategies used to promote economic growth and development in the current economic climate in the Australian economy.***

**MARKING GUIDELINES**

|  |  |
| --- | --- |
| Criteria | Marks |
| * Demonstrates a clear and concise knowledge and understanding of the strategies used to promote economic growth and development in the current economic climate in the Australian economy. * Integrates appropriate economic terms, relevant concepts, relationships and theory * Synthesises own information with the information provided to develop a sustained, logical and cohesive response | 17-20 |
| * Demonstrates clear knowledge and understanding of the strategies used to promote economic growth and development in the current economic climate in the Australian economy. * Consistently uses appropriate economic terms, relevant concepts, relationships and theory * Uses own information and the information provided to develop a logical and cohesive response | 13-16 |
| * Describes strategies to promote economic growth and development in the Australian economy * Uses some of the information provided * Uses appropriate economic terms, concepts and relationships * Uses own information and the information provided to develop a coherent response | 9-12 |
| * Outlines some strategies to promote economic growth and development in the Australian economy * Uses some appropriate economic terms, concepts and relationships * Uses information to develop a generalised response | 5-8 |
| * Makes some mention of strategies and may refer to economic growth and development. * Uses some economic terms and/or concepts * Presents a limited response | 1-4 |

***Answers could include:***

* ***Identify the main strategies used- includes macroeconomic policies such as monetary policy, fiscal policy and microeconomic policies such as structural change***
* ***Refer to governments economic objective s and distinction between–economic growth and economic development which includes full employment, education, health, environmental management and an equal distribution of income and wealth***
* ***Outline using statistics on the levels of economic growth and economic development in Australia***
* ***Explanation of sustainable economic growth – low levels of inflation, real GDP, economic growth, full employment, external stability, environmental sustainability, welfare measures.***
* ***Microeconomic reforms promote structural change in product and factor markets e.g. changes to industrial relations, education and health business and technology etc.***
* ***Issues with structural change in the short term.***
* ***How effective have these policies been in achieving the government’s objectives of economic growth and economic development?***
* ***Reference to the global economy and measures taken by the government that impacts on Australia’s economic growth and development e.g. trade agreements***

**Question 28** (20 marks)

***Evaluate strategies used to promote economic growth and development in the current economic climate in an economy other than Australia.***

**MARKING GUIDELINES**

|  |  |
| --- | --- |
| **Criteria** | **Marks** |
| * Demonstrates a clear and concise knowledge and understanding of strategies used to promote economic growth and development in the current climate in an economy other than Australia * Integrates appropriate economic terms, relevant concepts, relationships and theory * Synthesises own information with the information provided to develop a sustained, logical and cohesive response | 17-20 |
| * Demonstrates a clear knowledge and understanding of strategies used to promote economic growth and development in the current climate in an economy other than Australia * Consistently uses appropriate economic terms, relevant concepts, relationships and theory * Uses own information and the information provided to develop a logical and cohesive response | 13-16 |
| * Explains some strategies used to promote economic growth and development in the current climate in an economy other than Australia * Uses appropriate economic terms, concepts and relationships * Uses own information and the information provided to develop a coherent response | 9-12 |
| * Outlines some strategies used to promote economic growth and development in an economy other than Australia * Uses some appropriate economic terms, concepts and relationships * Uses information to develop a generalised response | 5-8 |
| * Mentions some strategies used to promote economic growth and/or development in an economy other than Australia * Uses some economic terms and/or concepts * Presents a limited response | 1-4 |

***Answers could include:***

***Answers are difficult to specify due to wide range of case studies. However some general points to cover:***

* ***Explanation of the general characteristics of an economy other than Australia***
* ***Distinguish between economic growth and economic development –give specific examples***
* ***Refer to economic indicators of this country –GDP, HDI, employment/unemployment, inflation/deflation, investment, consumption, savings, exports/imports, education***
* ***May outline the performance of their selected country with comparison to Australia and may include some other economies***
* ***Identify government strategies that impact on economic growth and economic development***
* ***Importance of globalisation on the economy e.g. trade agreements, investment flows, financial flows, TNC, technology, imports, exports etc.***