



Student Number \_\_\_\_\_

# Economics

## 2013 Preliminary HSC Examination

### General Instructions

- Reading time – 5 minutes
- Working time – 3 Hours
- Write using black or blue pen
- Board approved calculators may be used
- Write your **computer number** where indicated
- **Do not remove this paper from the examination room**

### Section I – 20 marks

- Attempt Questions 1-20  
Use the answer sheet provided

### Section II – 40 marks

- Attempt Questions 21-24  
Complete on the examination paper

### Section III – 20 marks

- Attempt Question 25  
Begin your answer on a new sheet of paper

### Section IV – 20 marks

- Attempt Question 26 or 27  
Begin your answer on a new sheet of paper

**Section I**  
**Multiple Choice**  
**20 marks**

Attempt Questions 1-20

Use the multiple choice answer sheet provided.

Allow 20 minutes for this section

- 1 Which of the following best describes the opportunity cost of the government building a new hospital?
  - A. The \$100 million spent on construction.
  - B. The cancelling of plans to build a new road because resources were allocated to hospital's construction.
  - C. The increased noise pollution during construction of the hospital.
  - D. Better health care provided to society.
  
- 2 Which of the following are examples of substitute goods?
  - A. Shoes and jackets
  - B. Umbrellas and raincoats
  - C. Pens and paper
  - D. Petrol and cars
  
- 3 Which of the following terms best describes the phase of the business cycle in which economic activity declines over time?
  - A. Upswing
  - B. Boom
  - C. Downturn
  - D. Recession
  
- 4 The following table shows the production possibilities in an economy.

<b>Trucks</b>	300	250	200	150	100	50	0
<b>Cars</b>	0	100	200	300	400	500	600

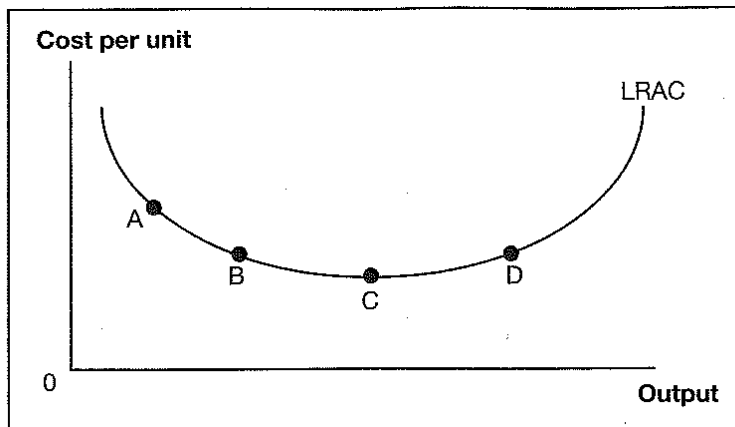
What is the opportunity cost of producing an additional car?

- A. Four trucks
- B. Two trucks
- C. One truck
- D. Half a truck

- 5 If GDP is rising over time which term best describes what the economy is experiencing?
- A. Economic growth
  - B. Full employment
  - C. Equality in income distribution
  - D. Reduced inflation
- 6 What is meant by the term *marginal propensity to save*?
- A. The proportion of an individual's income that is consumed.
  - B. The proportion of an individual's additional income that is consumed.
  - C. The proportion of an individual's income that is not consumed.
  - D. The proportion of an individual's additional income that is not consumed.
- 7 Which of the following is likely to encourage an individual to consume rather than save?
- A. Lower tax on superannuation.
  - B. Expectations of a lower income in the future.
  - C. Cheaper access to credit.
  - D. Expectations of an overseas holiday in the future.
- 8 A computer software supplier decided to open its factory in a region where a number of software manufacturers operate. What will the company experience as a result of this decision?
- A. External economies of scale
  - B. Internal economies of scale
  - C. External diseconomies of scale
  - D. Internal diseconomies of scale
9. Which of the following are complementary goods?
- A. Laptops and desktop computers.
  - B. Pens and pencils.
  - C. Motor cycles and helmets.
  - D. Formal dresses and Surfers Paradise holiday apartments.

10. Which or whom of the following conducts monetary policy?
- A. The Reserve Bank of Australia
  - B. Treasury
  - C. The Commonwealth Bank of Australia
  - D. The Treasurer

Question 11 relates to the following diagram.



11. A mobile phone company expands by taking over smaller mobile phone companies but when it tries to merge the billing systems of the different customer databases it causes major IT problems. Which of the following points on the long-run average cost curve best describes where the company's production levels were immediately before the merger?
- A. A
  - B. B
  - C. C
  - D. D
12. Which term describes a profit made by investors who sell their shares or assets at a price above what they paid for them?
- A. Share float
  - B. Dividend payment
  - C. Financial futures
  - D. Capital gain
13. What is pollution of public waterways an example of?
- A. A positive spillover effect
  - B. A negative externality
  - C. A marginal private cost of production
  - D. External economies of scale

14. What are the responsibilities of local government?
- A. Defence and external affairs
  - B. Health and education
  - C. Public transport and highways
  - D. Community centres and libraries
15. Why did the fiscal position of the Federal Government deteriorate between 2008-09 and 2011-12?
- A. Taxpayers chose to pay less tax because of alleged mismanagement of the economy
  - B. A downturn in the economy led to less government revenue
  - C. Less privatisation occurred
  - D. Government wages rapidly increased
16. How are government bonds best described?
- A. Lending from the government to individuals with a fixed payment date
  - B. Borrowing from the government to individuals with a fixed payment date
  - C. Lending from the private sector to the public sector with a fixed payment date
  - D. Borrowing from the private sector to the public sector with a fixed payment date
17. Which of the following outcomes is likely to result from the establishment of a price floor by the government?
- A. A market price below the equilibrium level.
  - B. A possible market surplus at the floor price level.
  - C. The need for a rationing system to sell the available product.
  - D. A decrease in demand for the product.
18. Which of the following methods is used to calculate real income?
- A. Nominal income minus the cost of taxation.
  - B. Nominal income adjusted for the rate of inflation.
  - C. Nominal wages plus government benefits.
  - D. Nominal wages minus the level of saving.

- 19 The following table shows the labour market statistics for an economy.

Number of persons employed	18 000 000
Number of persons unemployed	2 000 000
Number of persons aged 15 years and over	30 000 000

What is the unemployment rate in this economy?

- A. 6.0%
  - B. 8.0%
  - C. 10.0%
  - D. 12.0%
20. In the last two years, average weekly earnings have increased by 8%. In the same period of time, the general level of prices has risen by 10%. Which statement best describes what is occurring?
- A. Real wages have risen by 2%
  - B. Inflation has caused average weekly earnings to fall by 8%
  - C. The purchasing power of nominal wages has fallen
  - D. The government has raised income taxes on employees

**End of Section I**

**Section II****Short answer response**

40 marks.

Attempt all questions in the spaces provided

Allow 1 hour and 10 minutes for this section

**Question 21** (10 marks)

The data below is for a firm operating in the long run

Output ('000s)	1	2	3	4	5	6	7
Average cost	8	5	3	2	3	5	8

- a) In the space below, plot and draw the long run average cost curve for this firm. Label your diagram including: 4
- internal economies and diseconomies of scale
  - the technical optimum
  - axes

b) What equation is used to calculate average cost? 1

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c) Calculate the total cost of production at an output of 4000 units. 1

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d) Describe two factors that give rise to internal economies of scale. 4

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**Question 22** (10 marks).

The following table shows a production possibility schedule for wheat and barley using a fixed quantity of resources.

Wheat (kg)	1000	800	600	400	200	0
Barley (kg)	0	300	500	650	750	800

- a) In the space below, construct a production possibility curve from the information in the table **2**

- b) Calculate the opportunity cost of increasing barley production from 500kg to 650kg. **1**

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- c) Explain how an improvement in technology could affect wheat and barley production. Draw these changes on the curve above. **3**

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d) Identify and explain TWO factors that may enable an economy to achieve a higher potential rate of economic growth

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**Question 23** (10 marks).

a) What does the acronym ASIC stand for? **1**

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b) Describe the role of the Australian Prudential Regulation Authority (APRA) **2**

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c) Distinguish between the primary and secondary markets **2**

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d) List and discuss two benefits of regulating financial markets **5**

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**Question 24** (10 marks).

- a) State the law of demand? 1

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- b) Explain how a decrease in a consumer's marginal propensity to save will impact upon their demand for goods and services 2

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- c) Define the term price elasticity of demand. 1

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- d)

Price (\$)	Quantity Demanded (Units)
20	400,000
25	350,000
30	300,000

From the demand schedule above, calculate the price elasticity of demand, using the total outlay method, as the price of good X increases from \$20 to \$25. Show all working.

**2**

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- (e) Explain TWO factors that would cause a good to have a relatively elastic demand. **4**

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**End of Section II**

### Section III Extended Response

20 marks

Attempt Question 25

Begin your answer on a new sheet of examination paper

Allow 40 minutes for this section

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

- Use your knowledge and the economic information provided
  - Apply economic terms, concepts, relationships and theory
  - Present a sustained, logical and well-structured answer to the question
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Question 25 (20 marks)

Explain the ways the government can intervene in the economy and evaluate the importance of government intervention in the Australian economy. In your response, you should refer to the information provided.



“The Australian people want to see governments working together to ensure that the Australia of 10, 20 or 50 years time has adequately addressed the issues that will impact on the quality of life of our children and their children.” (source:

[http://www.coag.gov.au/reform\\_agenda](http://www.coag.gov.au/reform_agenda))

“The prevalence of income inequality in free market economies indicates that inequality may be the result of a market failure. Those who are born rich are more likely to become rich, while individuals who are born poor are more likely to live a life of relative poverty. In a “free” market, it is believed, all individuals possess an equal opportunity to succeed, but due to a mis-allocation of resources in a purely market economy, this may not always be the case.” (source: <http://welkerswikinomics.com/blog/2013/01/08/income-inequality-and-standards-of-living-does-a-rising-tide-lift-all-boats/>)

**Section IV**  
**Extended Response**

20 marks

Attempt Question 26 or 27

Begin your answer on a new sheet of examination paper

Allow 40 minutes for this section

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

- Use your knowledge
  - Apply economic terms, concepts, relationships and theory
  - Present a sustained, logical and well-structured answer to the question
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Question 26 Discuss the factors that may cause an increase in the unemployment rate.  
How can the unemployment rate rise when employment is increasing?

OR

Question 27 Discuss the factors that influence wage outcomes in the Australian economy

**End of paper**

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Section I – Multiple Choice

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Circle the most correct answer to each question below

*Example:*

Which of the following is the most correct spelling of the term *Economics*

- A      Economsic
- B      Economicsbro
- C      Economics
- D      Economics

A                      B                      C                      **D**

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|-----|---|---|---|---|
| 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 |
| 10. | A | B | C | D |
| 11. | A | B | C | D |
| 12. | A | B | C | D |
| 13. | A | B | C | D |
| 14. | A | B | C | D |
| 15. | A | B | C | D |
| 16. | A | B | C | D |
| 17. | A | B | C | D |
| 18. | A | B | C | D |
| 19. | A | B | C | D |
| 20. | A | B | C | D |

Section I – Multiple Choice

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Circle the most correct answer to each question below

*Example:*

Which of the following is the most correct spelling of the term *Economics*

- A Eeconomics
- B Economicsbro
- C Ecomonics
- D Economics

A                      B                      C                      **D**

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

Section II

Question 21

21a) Plot the long run average cost curve for this firm. Label your diagram including: (4 marks)

- internal economies and diseconomies of scale
- the technical optimum
- axes

4	Correctly plots the long run average cost curve for this firm including labelling the diagram with internal economies and diseconomies of scale, the technical optimum and the axes.
3	Correctly plots the long run average cost curve for this firm including labelling the diagram with one label missing of internal economies and diseconomies of scale, the technical optimum and the axes.
2	Correctly plots the long run average cost curve for this firm including labelling the diagram with two labels missing of internal economies and diseconomies of scale, the technical optimum and the axes.
1	Correctly Plot the long run average cost curve for this firm with no labels showing.

21b) State how average cost is calculated.

1	Correctly State how average cost is calculated.
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Answer could include:

**Average cost is calculated by the per unit cost of production, obtained by dividing total cost of producing a certain level of output by the total quantity produced.**

21c) Calculate the total cost of production at an output of 4000 units

1	Correctly Calculates the total cost of production at an output of 4000 units \$8000
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Answer could include: **\$8000**

21d) Describe two factors, which give rise to internal economies of scale. (4) marks)

4	Provides a comprehensive description of two factors which give rise to internal economies of scale.
3	Provides a brief description of two factors which give rise to internal economies of scale.
2	Provides a description of one factor which give rise to internal economies of scale.
1	Provides a brief description of one factor which give rise to internal economies of scale

Answer could include:

**\*By becoming larger, the firm as better able to take advantage of specialization of labour.**

- \*A large firm will be able to invest in more efficient capital equipment
- \*A large firm can buy its raw materials in bulk and reduce the per unit cost of these inputs.
- \* A large firm can generally find a market for its byproducts rather than waste
- \* A large firm can put resources in to research and development.
- \* Large firms usually find it easier and cheaper to raise finance for business expansion.

## Question 22

22a) Construct a production possibility curve from the information in the table (2 marks)

2	Correctly plots a production possibility curve from the information in the table with correct labels.
1	Correctly plots a production possibility curve from the information in the table without correct labels.

22b) State the opportunity cost of increasing linseed production from 500kg to 650kg (1 marks)

1	Correctly State the opportunity cost of increasing linseed production from 500kg to 650kg – 200kg of Rye
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**Answer could include:**

**200kg of Rye**

22c) Explain how an improvement in technology could affect rye and linseed production. Draw these changes on the curve above. (3 marks)

3	Correctly explains how an improvement in technology could affect rye and linseed production and correctly these changes on the curve above..
2	Correctly explains how an improvement in technology could affect rye and linseed production.
1	Either briefly explains how an improvement in technology could affect rye and linseed production or draws these changes on the curve above.

**Answer could include:**

**With the application of new technology, we may be able to develop more efficient methods of production. This might allow us to produce a higher quantity of a good with the same resources. This can be represented by an outward shift of the production possibilities frontier.**

22d) Identify and explain TWO factors that may enable an economy to achieve a higher potential rate of economic growth (4 marks)

4	Correctly Identifies and explains TWO factors that may enable an economy to achieve a higher potential rate of economic growth.
3	Correctly Identifies and briefly explains TWO factors that may enable an economy to achieve a higher potential rate of economic growth.
2	Correctly Identifies and explains one factor that may enable an economy to achieve a higher potential rate of economic growth.

1	Identifies one or two factors that may enable an economy to achieve a higher potential rate of economic growth.
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Answer could include:

1. The introduction of new technology, This might allow us to produce a higher quantity of a good with the same resources.
2. Choosing to produce capital goods. In the long run , an economy that focuses more on the production of capital goods will increase its productive capacity and experience a higher level of economic growth.
3. New resources. Economic growth may increase by change by anything that increases the inputs available for production such as the discovery of new resources or an expansion of the population through immigration.

Question 23

a) What does the acronym ASIC stand for?

1	Correctly identifies Australian Securities and Investment Commission
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b) Describe the role of the Australian Prudential Regulation Authority (APRA)

2	Correctly describes the role of APRA
1	Somewhat but not completely describes the role of APRA

c) Distinguish between the primary and secondary markets

2	Correctly distinguishes between the primary and secondary markets
1	Describes what either the primary or secondary market is

d) List and discuss two benefits of regulating financial markets

5	Discusses two benefits of regulating financial markets and gives a suitable example
4	Discusses two benefits of regulating financial markets
3	Describes two benefits, or lists two benefits and gives an example
2	Describes two benefits
1	Lists two benefits

**Question 23** (10 marks). Average 4.3 Range 10 to 0

e) What does the acronym ASIC stand for? (1 mark)

**Australian Securities & Investment Commission**

f) Describe the role of the Australian Prudential Regulation Authority (APRA)  
(2 marks)

**Government body established to regulate all deposit-taking institutions, life & general insurance organisations and superannuation funds**

g) Distinguish between the primary and secondary markets (2 marks)

**Primary: market in which firms raise funds by selling financial assets eg shares, debentures to investors**

**Secondary: markets in which investors trade financial assets with other investors**

h) List and discuss two benefits of regulating financial markets (5 marks)

**Benefits:**

**\* stability of financial markets to enable a steady flow of funds from savers to investors. Instability can result in significant losses to savers/investors**

**\* stability of financial markets is required for confidence. For example in the Global Financial Crisis the loss of confidence impacted on the real economy which in turn resulted in widespread recessions including Europe and the USA.**

**Question 24 (10 marks). Average 5.6 Range 10 to 0**

a) What is the law of demand? (1 mark)

**The quantity demanded by consumer's falls as price rises (1 mark)**

b) Explain how a decrease in a consumer's marginal propensity to save will impact upon their demand for goods and services (2 marks)

**Illustrates the inverse relationship between MPS and MPC since  $MPC + MPS = 1$  ie fall in MPS results in an increase in MPC which leads to an increase on the demand for goods and services (2 marks)**

**States that a fall in MPS causes an increase in demand but no supporting evidence why this occurs (1 mark)**

c) Define the term price elasticity of demand. (1 mark)

**Measures the responsiveness of quantity demanded to a change in price (1 mark)**

d)

<b>Price (\$)</b>	<b>Quantity Demanded (Units)</b>
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20	400,000
25	350,000
30	300,000

From the demand schedule above, calculate the price elasticity of demand, using the total outlay method, as the price of good X increases from \$20 to \$25. Show all working.  
(2marks)

At price \$20 total revenue = \$20 x 200 000 = \$ 8 000 000

At price \$ 25 total revenue = \$25 x 320 000 = \$ 8 750 000

As price increases total revenue increases therefore demand is inelastic (2 marks)

Correct answer but incorrect or no working (1 mark)

- (e) Explain TWO factors that would cause a good to have a relatively elastic demand.  
(4 marks)

Factors causing elastic demand include being a luxury good, close substitutes exist, cost being a high proportion of income, extended time since price change and no addictive characteristics.

Explain two factors (4 marks)

Explain one factor and identify one other (3 marks)

Explain one factor or identify two factors (2 marks)

Identify one factor (1 mark)

## Yr 11 Economics Paper Feedback PBO (29/8/13)

Question 26 Discuss the factors that may cause an increase in the unemployment rate.  
How can the unemployment rate rise when employment is increasing?

**TED is king ie T: USE ECONOMIC TERMINOLGY (CONCEPTS), EXAMPLES AND DATA TO SUPPORT YOUR DISCUSSION**

The general standard of responses were pleasing but it was disappointing that most students did not define or explain what unemployment (or rate) was. It is the most important **ECONOMIC CONCEPT** of this question.

**Unemployment:** a person over the age of 15, without a job, or stood down from a job without pay, but actively seeking full-time or part-time work. Actively seeking work implies regularly checking advertisement from a range of sources, be willing to respond to advertisements, apply for jobs and attend interviews and register with an employment placement provider that is a member of Job Services Australia.

**Unemployment rate % = number unemployed/total labour force x 100**

**Key factors to be discussed related to an understanding of different types of unemployment and what causes them**

- Cyclical due to economic slowdown ie weak aggregate demand
- Structural due to changes in the economy eg new technology, contraction in old industries such as steel, car etc. This is the mismatch of the demand for and supply of skills in the economy
- Seasonal as a result of weather (snowfields)/time of year (post-Christmas) etc
- Frictional as people move between jobs
- Hard-core due to mental or physical impairment, drug use
- Long-term (those unemployed for over 12 months) who find it difficult to re-enter employment
- Underemployment (working less hours than what they would like) due to the casualisation of the labour force in the last two decades
- Hidden who drop out of the labour force particularly when jobs become more difficult to find (measured by the labour force participation rate: percentage of the population aged 15 and over, the labour force, that is either employed or unemployed). The higher the labour force participation rate the lower the number of Hidden Unemployed

Employment and unemployment can increase at the same time due to the size of the labour force increasing at a faster rate than the rate of employment growth eg if labour force increases by 100,000 in a year but employment only increases by 20,000 then the unemployment rate will also increase. Two factors can cause this to occur. Firstly the rate of population growth (migration/natural rate). Secondly an increase in the participation rate ie the hidden unemployed re-entering the labour force because they believe they have a better chance of obtaining a job.



**Average 12.8 Range 19 to 4**

**Question 27 Discuss the factors that influence wage outcomes in the Australian Economy**

**Most students demonstrated knowledge about wage outcomes but often in general terms. The best answers followed TED and included**

**What is meant by wage outcomes (including they represented about 57% of Household Income) and how they were measured eg average weekly earnings, real wages**

**Identified key factors and discussed then using TED. Key factors and related economic concepts included**

- **Human capital based on skills, experience, education**
- **Productivity of labour**
- **Capacity of the firm to pay**
- **Gender**
- **Cultural background including migrants (English vs non English speaking background, length of time in residence) and indigenous Australians**
- **Occupational mobility**
- **Geographical mobility**
- **Bargaining power of trade unions**
- **Industrial relations framework including enterprise bargaining, individual contracts and awards (minimum conditions of employment)**
- **Role of Fair Work Australia, Industrial Relations Commission and Safety Net.**

**Average 14.1 Range 18 to 5**

## Year 11 Economics 2013 Preliminary Examinations – Question 25

Mark Range	Criteria
17-20	<ul style="list-style-type: none"> <li>• Integrates appropriate economic terms, concepts, issues, relationships and theory</li> <li>• Develops a sustained logical and well-structured answer with a clear introduction, body and conclusion</li> <li>• Demonstrates a precise and extensive knowledge that explains ways the government can intervene in the economy</li> <li>• Uses relevant economic data and stimulus material to support a contemporary and comprehensive evaluation of the importance of government intervention in the Australian economy</li> </ul>
13-16	<ul style="list-style-type: none"> <li>• Consistently uses appropriate economic terms, concepts, issues, relationships and theory</li> <li>• Develops a logical and well-structured answer with a clear introduction, body and conclusion</li> <li>• Demonstrates a correct and appropriate knowledge that explains the ways the government can intervene in the economy</li> <li>• Uses relevant stimulus data to support a logically developed evaluation of the importance of government intervention in the Australian economy</li> </ul>
9-12	<ul style="list-style-type: none"> <li>• Uses appropriate economic terms, concepts, issues, relationships and theory</li> <li>• Develops an answer that shows some structure including an introduction, body and conclusion</li> <li>• Demonstrates correct knowledge that describes how the government can intervene in the economy</li> <li>• Uses stimulus data to provide a description of the role of government intervention in the Australian economy</li> </ul>
5-8	<ul style="list-style-type: none"> <li>• Uses some economic terms, concepts, issues, relationships and theory</li> <li>• Develops an answer that has some structure. No clear introduction, body and conclusion</li> <li>• Demonstrates some knowledge of how the government can intervene in the market</li> <li>• Makes minimal use of stimulus data concerning the importance of government intervention in Australia</li> </ul>
1-4	<ul style="list-style-type: none"> <li>• Applies some appropriate terminology to communicate economic ideas</li> <li>• Demonstrates limited written structure</li> <li>• Presents a limited understanding of how the government can intervene in the market</li> <li>• Provides little if any stimulus data to support their answer</li> </ul>

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Mark:.....

Signed.....

## Question 25 marker feedback

Students were able to recall reasons why the government intervenes in the market. Although, it helped when students defined key terms such as free market economy and market failure. This gave a good platform for the essay.

Only about 1/3 of students used an economic diagram to assist their response. This is unacceptable. This hindered any possible 20/20 mark if you did not use economic diagrams. There were opportunities to include the following diagrams in your response:

- The business cycle
- The circular flow of income
- Price ceilings/price floors
- Negative/positive externalities
- Demand/supply

When evaluating, you should be asking yourself questions such as:

- Which form of intervention is the most important?
- Is the type of economy we have in Australia successful?
- Why do I think this/how can I justify this?

One finishing statement about government intervention that is crucial to understand. The government should, in theory, only intervene if the outcome they are going to provide (their distortion of the market) is going to be more favorable than the previous outcome. For those that haven't seen it, you should watch Milton Friedman discussing market failure. Search YouTube for "Milton Friedman – Market Failure".

Plan of attack:

1. Defining market failure and government intervention
2. Ways governments can intervene in the economy
  - a. Provision of goods and services: public and merit goods
  - b. Inequality in the distribution of income: poverty, disadvantaged groups
  - c. Externalities and the environment, positive and negative: pollution, climate change, arts. "Internalising the externality"
  - d. Monopoly power: formation of monopolies, natural monopolies (govt. owned), privatisation, corporatisation and competition structure
  - e. Fluctuations in the level of economic activity: the business cycle and the effects of booms and recessions
3. Evaluating and relating to the stimulus: Importance of government intervention in the Australian economy
  - a. Australia has placed an emphasis on reducing negative externalities with taxes. The 3 main examples that refer to each of the stimuli are:
    - i. Cigarettes (demerit good): excise tax placed on an addictive good with inelastic demand to help pay for the associated extra costs on society via the health system
    - ii. Pollution and climate change: countered with the carbon tax in order to directly affect demand for non-renewable sources of energy
    - iii. Income inequality addressed with progressive income tax and welfare payments: assisting individuals to get out of relative poverty using the automatic stabilisers in the Budget. NDIS and Gonski were two other good examples here.

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