



Form V Economics

Annual Examination 2014

Date: Friday 29th August (AM)

Outcomes Assessed: All

General Instructions

- **Working Time: 2 hours**
- Write using black or blue pen.
- Write your name and class on all your submitted work.
- When finished, put your extended responses **and** this question paper **inside** the Answer Booklet to be collected.
- **Total: 80 marks**

Structure of Paper & Instructions

- **Section A (20 marks)**
Answer all multiple choice questions on the answer sheet provided on the front page of the Answer Booklet.
- **Section B (20 marks)**
Answer both short answer questions in the Answer Booklet.
- **Section C (20 marks)**
This extended response (with stimulus) must be answered.
- **Section D (20 marks)**
Answer only **ONE** of the extended responses in this section.

CHECKLIST

Each boy should have the following:
Question Paper
Answer Booklet for Sections A & B
2 Writing Booklets for Sections C & D

SECTION A

20 marks

Use the multiple-choice answer sheet on the front page of
the Answer Booklet for Questions 1-20

Spend no more than 25 mins on this section

1. Which person best fits the category of 'underemployment'?
- (A) A fruit picker, who is waiting for the next harvest.
 - (B) A part-time worker, who is dissatisfied with their current wage and working location.
 - (C) Someone working 4 days per week, who is looking for an extra day's work.
 - (D) A person, who is neither working nor seeking work but who would work if a suitable job offer came along.

2. The following question is based on the table below:

Selected Population and Labour Force Statistics	
Total Pop	Early Retirees
2,000,000	100,000
Working Age Pop	Officially Unemployed
1,000,000	100,000
Participation Rate	Full-Time Students
70%	100,000

How many people are employed?

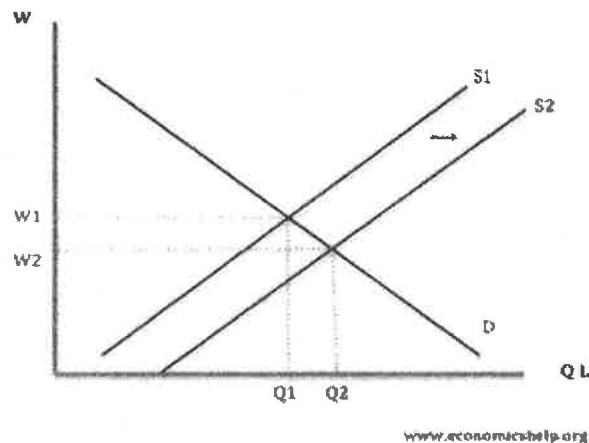
- (A) 600,000.
 - (B) 700,000.
 - (C) 800,000.
 - (D) 900,000.
3. What could justify an increase in income inequality?
- (A) Higher levels of conspicuous consumption.
 - (B) The marginalisation of certain groups in our society.
 - (C) Greater incentives for entrepreneurs to take more risk.
 - (D) Higher spending on social welfare payments by the government.
4. What is a recent trend in the distribution of income earned in Australia?
- (A) Recent migrants from non-English speaking countries tend to earn higher average incomes compared to Australian born workers.
 - (B) The highest average incomes are earned by those in the 55-60 age group.
 - (C) Income shares for English speaking migrants are greater than for those who are Australian born.
 - (D) The Gini coefficient now exceeds that of China.

5. A firm decided to change its pricing strategies on the three goods (i, ii & iii) that it produces. The table below shows the changes made and the corresponding outcomes:

GOOD	PRICE	TOTAL REVENUE
i	Increase	Decrease
ii	Decrease	Decrease
iii	No Change	No Change

Which of the following conclusions can be made?

- (A) Goods ii and iii are substitutes.
 (B) The price elasticity of demand for good iii is perfectly inelastic.
 (C) The price elasticity of demand for good i exceeds that of good ii.
 (D) The price elasticity of demand for good ii is unitary.
6. The following graph shows changes to the Australian labour market:



Which one of the following changes would not have caused the shift from S1 to S2?

- (A) Increases in the number of child care places available.
 (B) Higher rates of geographical mobility.
 (C) Greater labour productivity.
 (D) Reduction in the qualifications required for skilled workers.
7. Which of the following is the best example of an enterprise agreement?
- (A) The safety net wage.
 (B) A common law contract.
 (C) An agreement negotiated collectively between an employer and employees.
 (D) Firms paying their workers by cash.

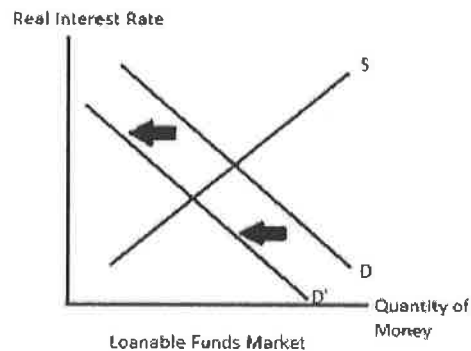
8. Which of the following specific roles are appropriate for the relevant Australian financial institution?

	RBA	APRA	ASIC
(A)	Stability of the Payments System	Regulations to protect depositors' savings	Responsibility for market integrity
(B)	Overall Financial Sector Stability	Stability of the Payments System	Prudential supervision of deposit-taking institutions
(C)	Responsibility for market integrity	Responsibility for market integrity	Regulations to protect depositors' savings
(D)	Regulations to protect depositors' savings	Prudential supervision of banks	Stability of the Payments System

9. Which of the following is regarded as a debt instrument?

- (A) Commonwealth Government bonds.
- (B) A company share.
- (C) An agreement to buy a product on some future date at a certain price.
- (D) Redistribution of profits in the form of a dividend payment

10. The following graph shows a change in the loanable funds market in Australia:



Which of the following factors would cause the demand for loanable funds to shift from D to D¹?

- (A) A fall in the transactions demand for holding cash.
 - (B) A decrease in the level of savings by households.
 - (C) Fewer sales of Federal Government securities by the RBA.
 - (D) A reduction in investment projects undertaken by firms.
11. Which of the following is most prone to the problem of 'free-riding'?
- (A) Goods that have property rights and offer unlimited satisfaction.
 - (B) Goods that have no property rights and their consumption is unlimited.
 - (C) Public transport.
 - (D) Goods that have few property rights but offer utility to only the user.

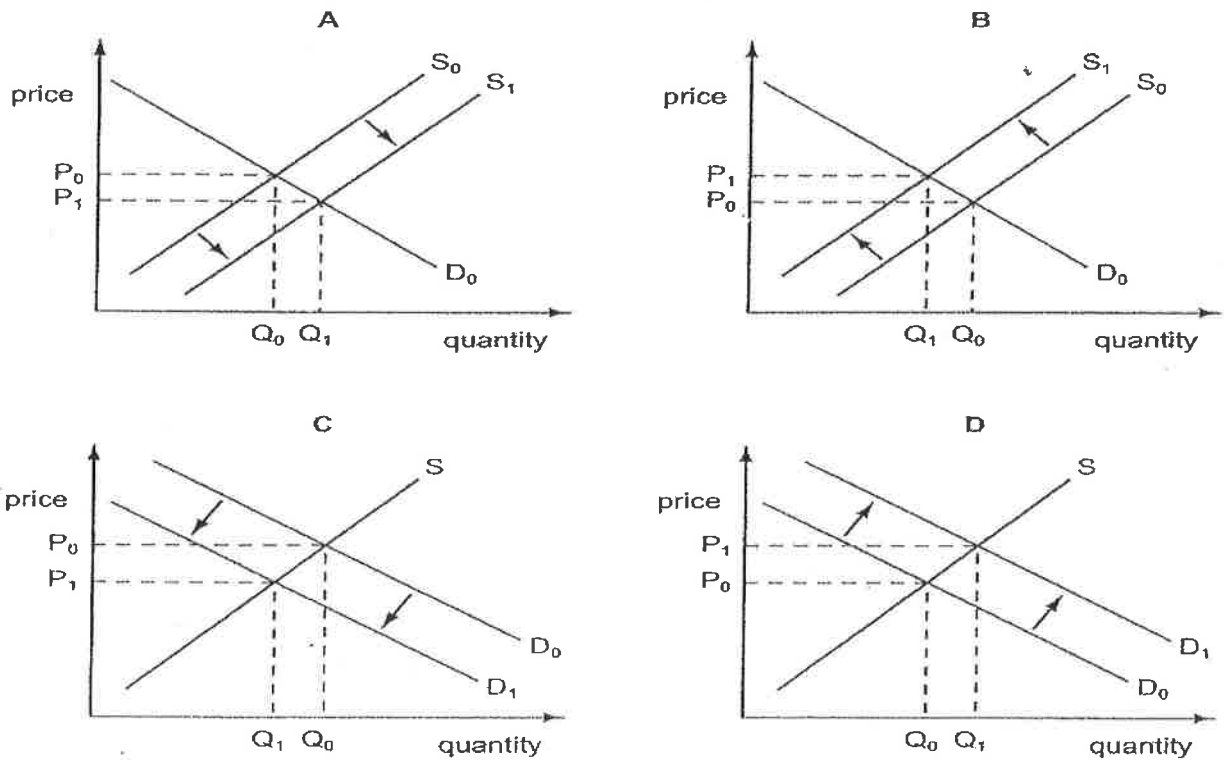
12. Which of the following is an example of market failure?

- (A) When the price of goods and services rises.
- (B) When the Federal Government produces many goods and services.
- (C) When the production possibility curve shifts outwards.
- (D) When firms experience production surpluses.

13. What is pollution an example of?

- (A) A marginal private cost of production.
- (B) An effect of private actions which are reflected in final prices.
- (C) Producers passing on the cost of using resources to an unwilling third party.
- (D) An externality arising from clearly defined property rights.

14. The following series of graphs depicts possible changes in the demand for and supply of shoes.

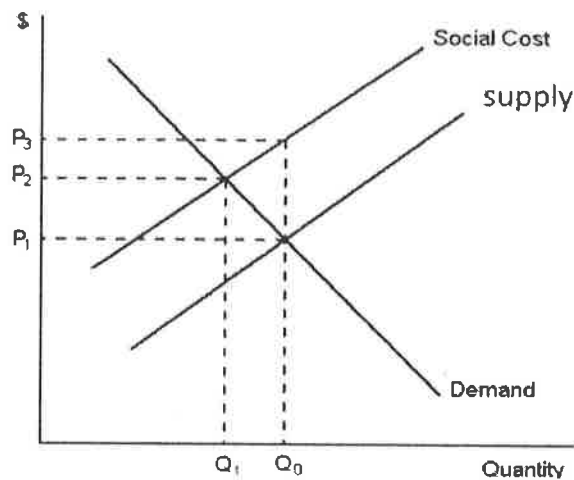


Which of these diagrams could represent the changes following an increase in wages for all workers?

- (A) A and D.
- (B) B and D.
- (C) B and C.
- (D) A and C.

15. Which of the following is the Federal Government not directly responsible for?
- (A) A financial plan for the forthcoming financial year covering its expected expenses and revenue.
 - (B) The buying and selling of Commonwealth Government Securities to determine the cash rate.
 - (C) The industrial relations system.
 - (D) Social security transfer payments.

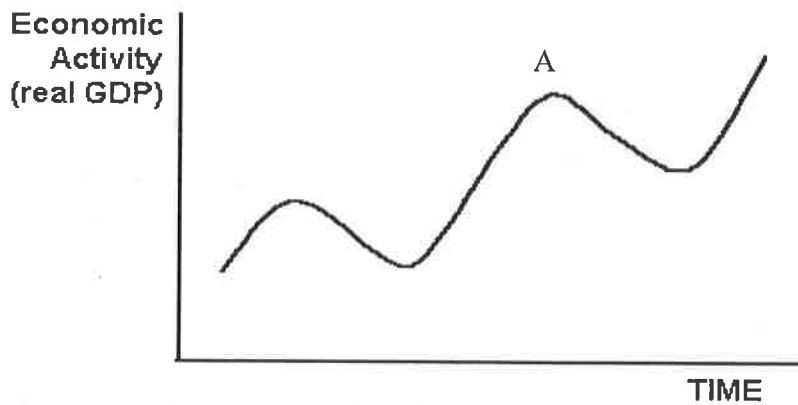
16. The following graph shows the market for steel:



What price and quantity combination represents the social optimum?

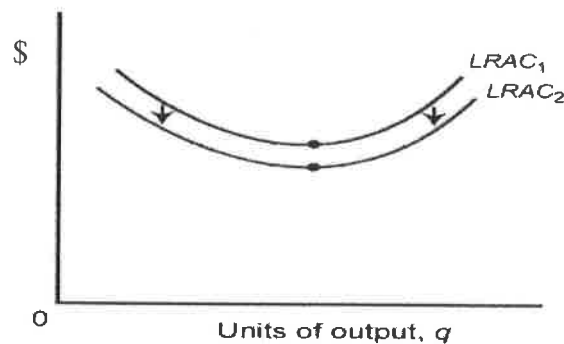
- (A) P₁, Q₁.
 - (B) P₂, Q₁.
 - (C) P₃, Q₀.
 - (D) P₁, Q₀.
17. Which of these statements is incorrect?
- (A) Consumers on lower incomes spend proportionally more of their disposable income than those on higher incomes.
 - (B) As incomes rise in an economy, levels of both consumption and savings also rise.
 - (C) The proportion of each extra dollar that goes to consumption tends to rise as people earn more.
 - (D) Over the course of a lifetime, individuals tend to 'smooth' their consumption.
18. Which of the following is generally regarded as an advantage of a centrally planned economic system?
- (A) Consumer sovereignty.
 - (B) Producer sovereignty.
 - (C) All basic goods and services are provided by the government.
 - (D) Rapid advancement of technology.

19. The following graph shows a typical business cycle for a country:



Which economic problems are most likely to occur at point A?

- (A) Inflation and negative externalities.
 - (B) Unemployment and greater income inequality.
 - (C) Deflation and unsustainable economic growth.
 - (D) Lower tax receipts and falling levels of investment.
20. The following graph depicts a change to a firm's long run average costs:



Which of the following factors may have caused the shift shown?

- (A) Weak environmental controls.
- (B) Lower average costs caused by greater bulk-buying opportunities for the firm.
- (C) Internal diseconomies of scale.
- (D) Government provision of improvements to local transport networks.

END OF SECTION A

SECTION B

20 marks

The questions for this section can be found in the Answer Booklet
 Use the spaces provided in the Answer Booklet for Questions 21 & 22
 Spend no more than 25 mins on this section

SECTION C FOLLOWS

SECTION B

20 marks

Use the spaces provided below to answer Questions 21 & 22

Spend no more than 25 mins on this section

21. This question is based on the following table for a firm that uses only 2 inputs:

Land (Units)	Labour (Workers)	Total Output	Marginal Output	Total Cost (\$)
1	1	100	-	300
1	2	250	?	600
1	3	450	?	900
1	4	650	?	1000
1	5	800	?	1400
1	6	850	?	1600

(a) How do you know that this table represents the short run for the firm? (1 mark)

.....
.....

(b) What is the marginal output of the 3rd worker? (1 mark)

.....

(c) What is the short run average cost when 3 workers are employed? (1 mark)

.....

(d) If the cost of the land used is \$200, what is the average wage paid when 4 workers are employed? (1 mark)

.....

(e) What does the term 'technical optimum' mean and at what level of output does it occur for this firm? (2 marks)

.....
.....
.....
.....

(f) What does the term 'diminishing returns' mean and when do these set in for this firm? (2 marks)

.....

.....

.....

.....

.....

(g) What could the firm do to prevent these diminishing returns from setting in? (2 marks)

.....

.....

.....

.....

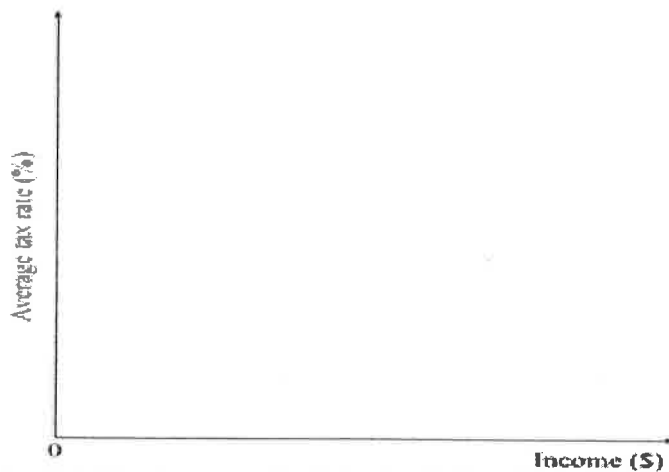
.....

22. (a) Give an Australian example of the following types of tax: (2 marks)

DIRECT TAX:

INDIRECT TAX:

(b) On the diagram below, draw and clearly label one line that represents a regressive tax and another line representing a proportional tax. (2 marks)



Question 22 continues overleaf

(c) What is a 'Tax-Free Threshold' and how can it be used to achieve a more equitable distribution of income? (2 marks)

.....

.....

.....

.....

.....

(d) With reference to the Australian tax system, explain the difference between vertical and horizontal equity. (4 marks)

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

END OF SECTION B
RETURN TO Q PAPER FOR SECTIONS C & D

SECTION C

20 marks

Use a Writing Booklet to answer this question

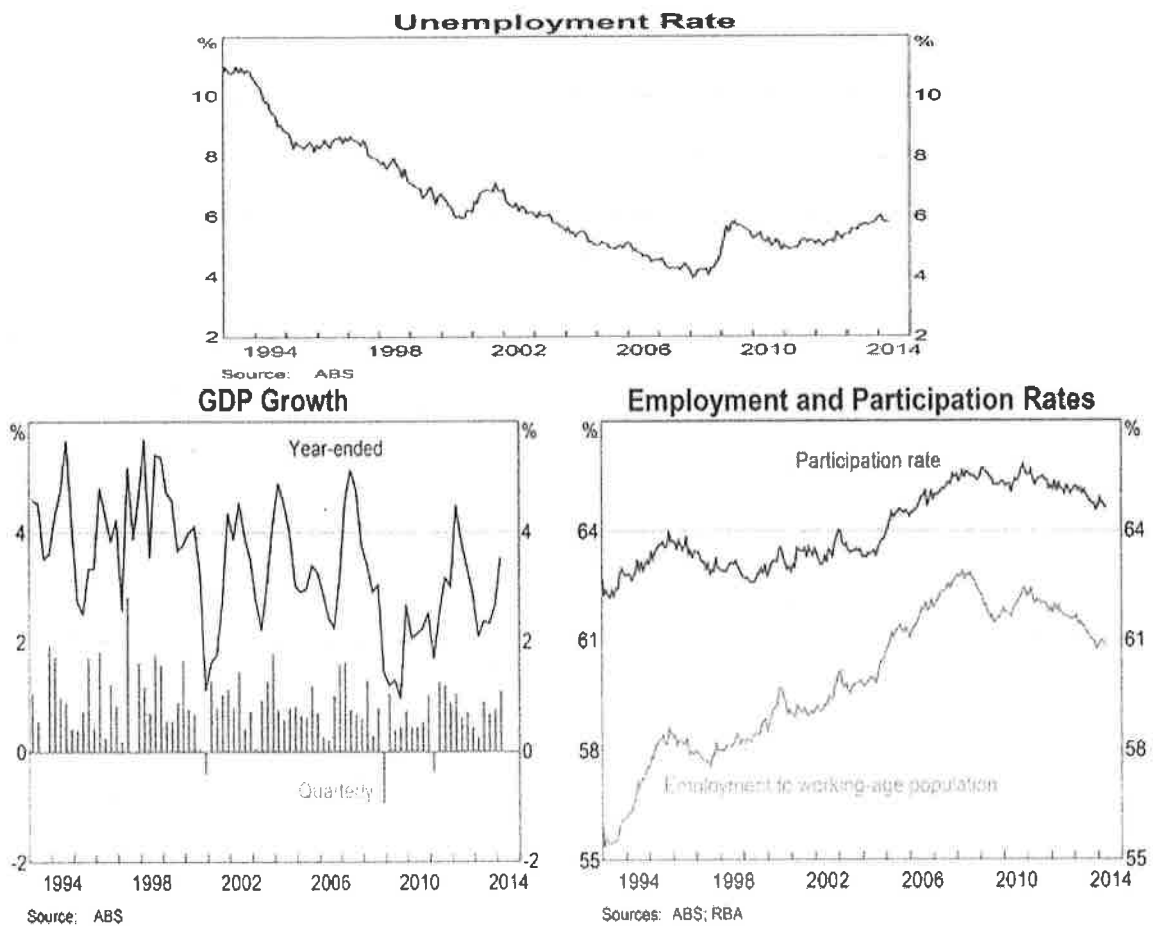
Put your name and master's initials on the front cover of your Writing Booklet

Spend approximately 35 mins on this section

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

23. Outline the different types of unemployment and discuss how they relate to recent changes in the Australian labour market.



‘There are many different types of unemployment, each reflecting a different cause. Some types have a cyclical cause... and others are as a result of changes in the structure of the economy or have causes separate from the economy.’

Dixon & O'Mahoney: The Market Economy, 2014 (Adapted)

END OF SECTION C

SECTION D

20 marks

Answer only ONE question from this section

Use a separate Writing Booklet

Put your name and master's initials on the front cover of your Writing Booklet

Spend approximately 35 mins on this section

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

EITHER

24. Discuss how the Reserve Bank of Australia uses monetary policy to achieve its objectives.

OR

25. Discuss how the Australian Federal Government intervenes to address market failure.

END OF THE EXAMINATION

SOLS

SYDNEY GRAMMAR SCHOOL



Form V Economics

Annual Examination 2014

Date: Friday 29th August (AM)

Outcomes Assessed: All

General Instructions

- Working Time: 2 hours
- Write using black or blue pen.
- Write your name and class on all your submitted work.
- When finished, put your extended responses **and** this question paper **inside** the Answer Booklet to be collected.
- Total: 80 marks

Structure of Paper & Instructions

- Section A (20 marks)
Answer all multiple choice questions on the answer sheet provided on the front page of the Answer Booklet.
- Section B (20 marks)
Answer both short answer questions in the Answer Booklet.
- Section C (20 marks)
This extended response (with stimulus) must be answered.
- Section D (20 marks)
Answer only **ONE** of the extended responses in this section.

CHECKLIST
Each boy should have the following:
Question Paper
Answer Booklet for Sections A & B
2 Writing Booklets for Sections C & D

SECTION A

20 marks

Use the multiple-choice answer sheet on the front page of
the Answer Booklet for Questions 1-20

Spend no more than 25 mins on this section

1. Which person best fits the category of 'underemployment'?
- (A) A fruit picker, who is waiting for the next harvest.
 - (B) A part-time worker, who is dissatisfied with their current wage and working location.
 - (C) Someone working 4 days per week, who is looking for an extra day's work.
 - (D) A person, who is neither working nor seeking work but who would work if a suitable job offer came along.

2. The following question is based on the table below:

Selected Population and Labour Force Statistics	
Total Pop	Early Retirees
2,000,000	100,000
Working Age Pop	Officially Unemployed
1,000,000	100,000
Participation Rate	Full-Time Students
70%	100,000

How many people are employed?

- (A) 600,000.
- (B) 700,000.
- (C) 800,000.
- (D) 900,000.

$$PR = \frac{LF}{W/A\&E\&POP} \times 100$$

$$70\% = \frac{? + 100,000}{1,000,000} \times 100$$

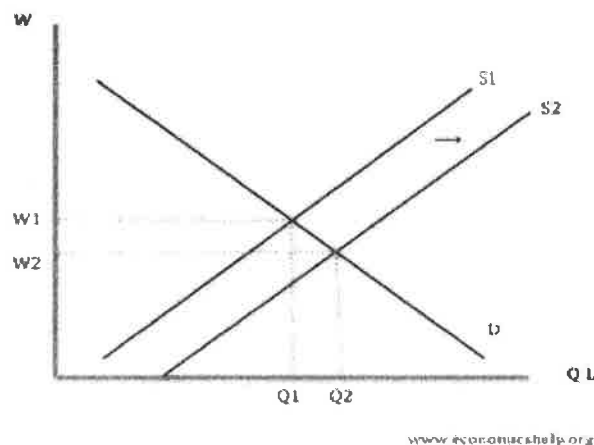
3. What could justify an increase in income inequality?
- (A) Higher levels of conspicuous consumption.
 - (B) The marginalisation of certain groups in our society.
 - (C) Greater incentives for entrepreneurs to take more risk.
 - (D) Higher spending on social welfare payments by the government.
4. What is a recent trend in the distribution of income earned in Australia?
- (A) Recent migrants from non-English speaking countries tend to earn higher average incomes compared to Australian born workers.
 - (B) The highest average incomes are earned by those in the 55-60 age group.
 - (C) Income shares for English speaking migrants are greater than for those who are Australian born.
 - (D) The Gini coefficient now exceeds that of China.

5. A firm decided to change its pricing strategies on the three goods (i, ii & iii) that it produces. The table below shows the changes made and the corresponding outcomes:

GOOD	PRICE	TOTAL REVENUE	<i>PED</i>
i	Increase	Decrease	<i>ELASTIC</i>
ii	Decrease	Decrease	<i>INELASTIC</i>
iii	No Change	No Change	?

Which of the following conclusions can be made?

- (A) Goods ii and iii are substitutes.
 (B) The price elasticity of demand for good iii is perfectly inelastic.
 (C) The price elasticity of demand for good i exceeds that of good ii.
 (D) The price elasticity of demand for good ii is unitary.
6. The following graph shows changes to the Australian labour market:



Which one of the following changes would not have caused the shift from S1 to S2? *↑INS*

- (A) Increases in the number of child care places available.
 (B) Higher rates of geographical mobility.
 (C) Greater labour productivity. *- ⇒ ↑ in D*
 (D) Reduction in the qualifications required for skilled workers.
7. Which of the following is the best example of an enterprise agreement?
- (A) The safety net wage.
 (B) A common law contract.
 (C) An agreement negotiated collectively between an employer and employees.
 (D) Firms paying their workers by cash.

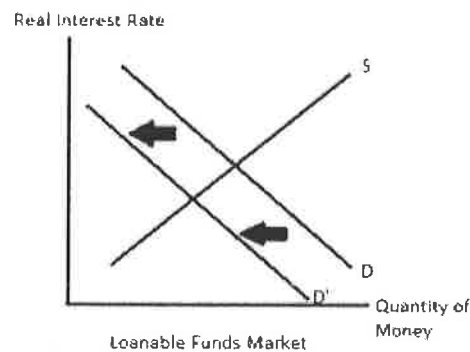
8. Which of the following specific roles are appropriate for the relevant Australian financial institution?

	RBA	APRA	ASIC
(A)	Stability of the Payments System	Regulations to protect depositors' savings	Responsibility for market integrity
(B)	Overall Financial Sector Stability	Stability of the Payments System	Prudential supervision of deposit-taking institutions
(C)	Responsibility for market integrity	Responsibility for market integrity	Regulations to protect depositors' savings
(D)	Regulations to protect depositors' savings	Prudential supervision of banks	Stability of the Payments System

9. Which of the following is regarded as a debt instrument?

- Borrowing*
- (A) Commonwealth Government bonds.
 - (B) A company share.
 - (C) An agreement to buy a product on some future date at a certain price.
 - (D) Redistribution of profits in the form of a dividend payment

10. The following graph shows a change in the loanable funds market in Australia:



Which of the following factors would cause the demand for loanable funds to shift from D to D'?

- (A) A fall in the transactions demand for holding cash. *- ↑ in S*
- (B) A decrease in the level of savings by households.
- (C) Fewer sales of Federal Government securities by the RBA.
- (D) A reduction in investment projects undertaken by firms.

11. Which of the following is most prone to the problem of 'free-riding'?

- (A) Goods that have property rights and offer unlimited satisfaction.
- (B) Goods that have no property rights and their consumption is unlimited.
- (C) Public transport.
- (D) Goods that have few property rights but offer utility to only the user.

i.e. non-exclud + non-rival

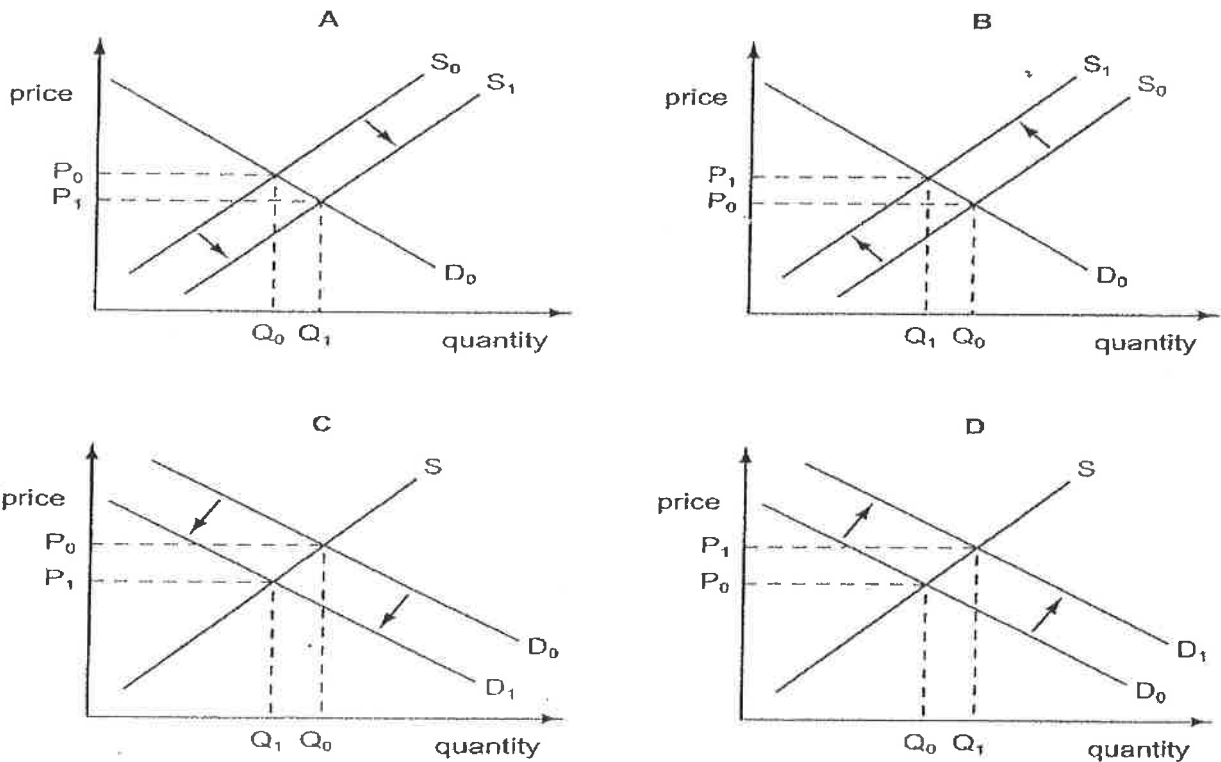
12. Which of the following is an example of market failure?

- (A) When the price of goods and services rises.
- (B) When the Federal Government produces many goods and services.
- (C) When the production possibility curve shifts outwards.
- (D) When firms experience production surpluses.

13. What is pollution an example of?

- (A) A marginal private cost of production.
- (B) An effect of private actions which are reflected in final prices.
- (C) Producers passing on the cost of using resources to an unwilling third party.
- (D) An externality arising from clearly defined property rights.

14. The following series of graphs depicts possible changes in the demand for and supply of shoes.



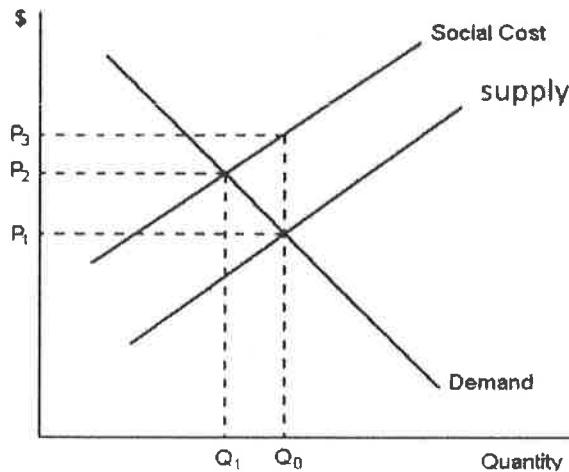
Which of these diagrams could represent the changes following an increase in wages for all workers?

- (A) A and D.
- (B) B and D.
- (C) B and C.
- (D) A and C.

\uparrow in D
 \downarrow in $S \rightarrow \uparrow$ costs

15. Which of the following is the Federal Government not directly responsible for?
- (A) A financial plan for the forthcoming financial year covering its expected expenses and revenue.
 - (B) The buying and selling of Commonwealth Government Securities to determine the cash rate. *RBA*
 - (C) The industrial relations system.
 - (D) Social security transfer payments.

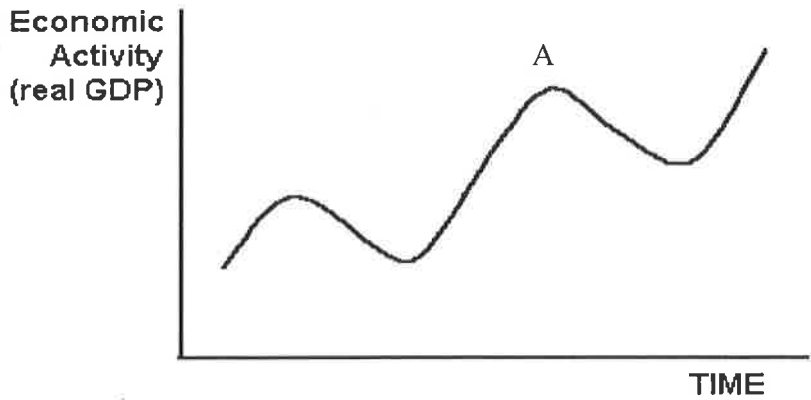
16. The following graph shows the market for steel:



What price and quantity combination represents the social optimum?

- (A) P_1, Q_1 .
 - (B) P_2, Q_1 .
 - (C) P_3, Q_0 .
 - (D) P_1, Q_0 .
17. Which of these statements is incorrect?
- (A) Consumers on lower incomes spend proportionally more of their disposable income than those on higher incomes.
 - (B) As incomes rise in an economy, levels of both consumption and savings also rise.
 - (C) The proportion of each extra dollar that goes to consumption tends to rise as people earn more. *No ~ MPC ↓ as Y ↑!*
 - (D) Over the course of a lifetime, individuals tend to 'smooth' their consumption.
18. Which of the following is generally regarded as an advantage of a centrally planned economic system?
- (A) Consumer sovereignty.
 - (B) Producer sovereignty.
 - (C) All basic goods and services are provided by the government.
 - (D) Rapid advancement of technology.

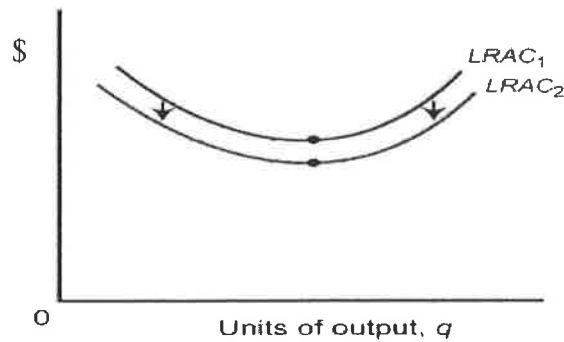
19. The following graph shows a typical business cycle for a country:



Which economic problems are most likely to occur at point A?

- (A) Inflation and negative externalities.
- (B) Unemployment and greater income inequality.
- (C) Deflation and unsustainable economic growth.
- (D) Lower tax receipts and falling levels of investment.

20. The following graph depicts a change to a firm's long run average costs:



↑ ext. eco of scale

Which of the following factors may have caused the shift shown?

- (A) Weak environmental controls.
- (B) Lower average costs caused by greater bulk-buying opportunities for the firm.
- (C) Internal diseconomies of scale.
- (D) Government provision of improvements to local transport networks.

END OF SECTION A

SECTION B

20 marks

The questions for this section can be found in the Answer Booklet
 Use the spaces provided in the Answer Booklet for Questions 21 & 22
 Spend no more than 25 mins on this section

SECTION C FOLLOWS

SECTION B
20 marks

Use the spaces provided below to answer Questions 21 & 22
Spend no more than 25 mins on this section

21. This question is based on the following table for a firm that uses only 2 inputs:

Land (Units)	Labour (Workers)	Total Output	Marginal Output	Total Cost (\$)
1	1	100	-	300
1	2	250	150	600
1	3	450	200	900
1	4	650	200	1000
1	5	800	150	1400
1	6	850	50	1600

(a) How do you know that this table represents the short run for the firm? (1 mark)

x 1 fixed factor

(b) What is the marginal output of the 3rd worker? (1 mark)

200

(c) What is the short run average cost when 3 workers are employed? (1 mark)

$\frac{900}{450} = \$2$ PER UNIT

(d) If the cost of the land used is \$200, what is the average wage paid when 4 workers are employed? (1 mark)

$TC = 1000 \Rightarrow FC = 200$ so $VC = \$800$; AV. WAGE $\frac{\$800}{4} = \200

(e) What does the term 'technical optimum' mean and at what level of output does it occur for this firm? (2 marks)

MIN AC

= @ 650 OUTPUT

- (f) What does the term 'diminishing returns' mean and when do these set in for this firm? (2 marks)

As add \uparrow ^{var} factors to fixed factors,
 marginal product will eventually \downarrow
 After 4th worker / when 5th worker employed

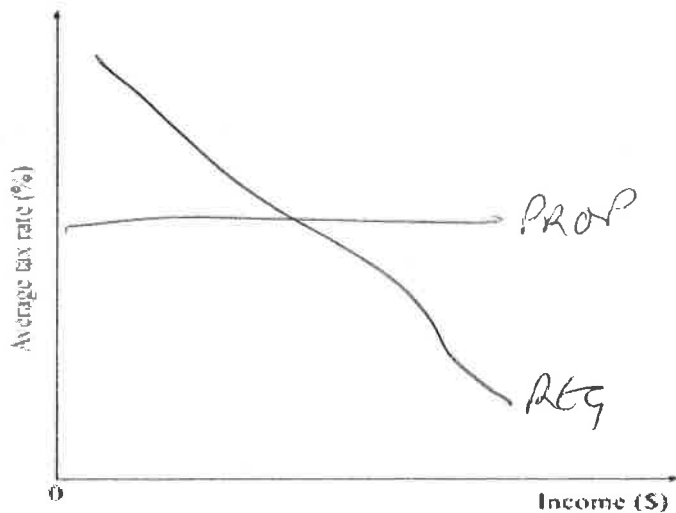
- (g) What could the firm do to prevent these diminishing returns from setting in? (2 marks)

Check efficiency
 Better training / capital / etc.
 \uparrow fixed factors?

22. (a) Give an Australian example of the following types of tax: (2 marks)

DIRECT TAX: Y TAX (CO TAX)
 INDIRECT TAX: GST (EXCISE DUTY)

- (b) On the diagram below, draw and clearly label one line that represents a regressive tax and another line representing a proportional tax. (2 marks)



- (c) What is a 'Tax-Free Threshold' and how can it be used to achieve a more equitable distribution of income? (2 marks)

Limit under which no tax is paid

$\% \uparrow$ it \Rightarrow helps lower $\%$ earners relatively more than higher $\%$ earners

- (d) With reference to the Australian tax system, explain the difference between vertical and horizontal equity. (4 marks)

Vertical Equity - People on different $\%$ have different tax payments
- eg Prog/MAGS, $\%$ Tax

Horizontal Equity - People earning same $\%$ have same tax payments
- e.g. Net in Aust: $\%$ from labour \rightarrow $\%$ tax

\uparrow value of assets increased } Capital \rightarrow Capital Gains Tax
Enterprise \rightarrow Co. Tax (30%)
GST accepted too
is explained well
30% if held asset \leq 1 year
15% if $>$ 1 year

END OF SECTION B
RETURN TO Q PAPER FOR SECTIONS C & D

* @ SEE NEXT PAGE! *

SECTION C

20 marks

Use a Writing Booklet to answer this question

Put your name and master's initials on the front cover of your Writing Booklet

Spend approximately 35 mins on this section

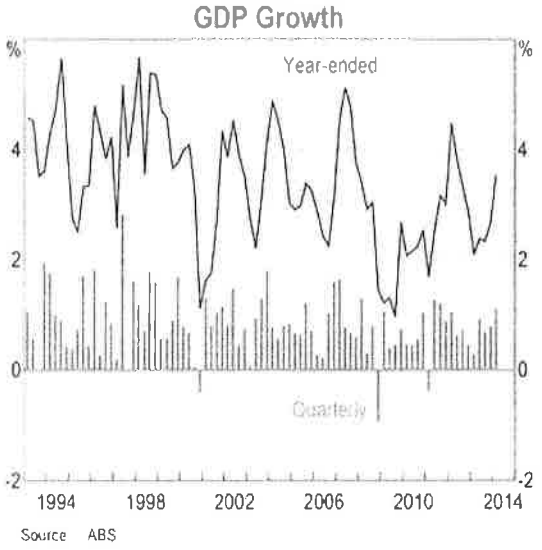
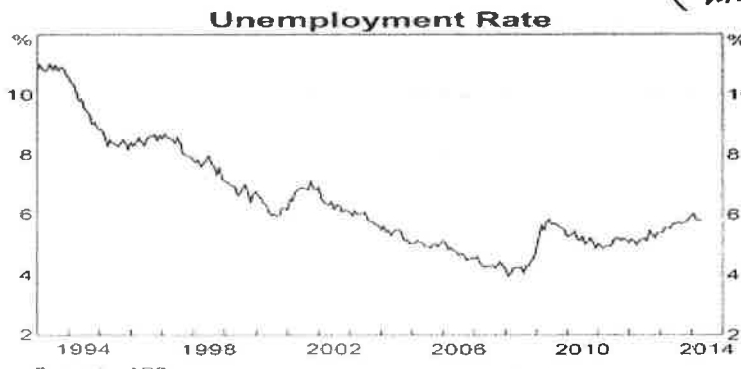
In your answer you will be assessed on how well you:

- 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

23. Outline the different types of unemployment and discuss how they relate to recent changes in the Australian labour market.

Cyclical
Frict
struct
long-term
hard-core
seasonal
hidden
x 7
NATURAL?
Underemp?

Cyclical as eco. slows
↑ Structural
→ ↑ long term as many closes
↑ hidden as ↓ part. rates assoc. with struct. o. ageing pop, etc.
Baby boomers retiring! Gov't?
↳ But still world work if could find a job...



‘There are many different types of unemployment, each reflecting a different cause. Some types have a cyclical cause...and others are as a result of changes in the structure of the economy or have causes separate from the economy.’

Dixon & O’Mahoney: *The Market Economy*, 2014 (Adapted)

END OF SECTION C

FORM 5 ANNUAL EXAMINATION 2014 – SECTION C

23. Outline the different types of unemployment and discuss how they relate to recent changes in the Australian labour market.

Criteria	Below Average	Above Average
Structure: Has the response been presented in a well written manner?	Answers often poorly structured; eg started with minor points, failed to define U/E Intros weak and rambling. Paragraphs/sentences too long Diagrams too small, unlabelled and unexplained...Don't draw to side of a paragraph either! Conclusions too long and repetitive of intros.	Good, clear and logical argument throughout. Clear use of diagrams that were not only big, clear and labelled but also explained. Short paragraphs so information easy to find Started with most important points first
Coverage: Have all parts of the question been adequately treated?	Only mentioned some types of U/E. Barely mentioned their impact on Labour Mkt eg participation and fluctuations in U/E	Mentioned many types of U/E with special focus on cyclical and structural
Content: What level of development has been offered in the relevant areas of the question?	Boys did not have enough time outlining each type, just gave a list of definitions. Spent far too long on minor types of U/E eg seasonal at expense of major ones eg cyclical.	Good, detailed look at the types. Focus was on what causes them to change and therefore impact on the broader labour mkt eg participation, employment and the U/E rate.
Supporting Evidence: Has there been an appropriate level of economic evidence/examples/data used in the response?	Little or no use of the stimulus provided. Few eggs and/or stats given. Failure to use real examples from the Australian economy.	Relevant examples from recent economic history given per paragraph on each of the types of U/E. Use of stimulus plus other statistics and detail.

Marks:

Number: : 108

Mean: .14.3

Range:

7 x 2; 9 x 3; 10 x 4, 11 x 5 , 12 x 14 , 13 x 15 , 14 x 16 , 15 x 15 , 16 x 18 , 17 x 4 , 18 x 2 , 19 x 8, 20 x 3.

General Comments:

This was a straightforward question. Types of U/E: cyclical and structural are the most important and deserve the most attention; next most important hidden, underemployment and long term; and a brief look at frictional, seasonal and hard core. Often boys got the balance wrong in terms of which types are most important, or left out large numbers of the list above.

Stimulus was given to help, but rarely or sparingly used.

Many failed to define U/E or know the current rate, whether heading up or down, or what it was in important economic periods.

Most failed to link changes in specific types of U/E to participation, casualization and changing U/E rates.

JDS
9/14

SECTION D

20 marks

Answer only ONE question from this section

Use a separate Writing Booklet

Put your name and master's initials on the front cover of your Writing Booklet

Spend approximately 35 mins on this section

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

EITHER

24. Discuss how the Reserve Bank of Australia uses monetary policy to achieve its objectives.

OR

25. Discuss how the Australian Federal Government intervenes to address market failure.

Market Ops
Trans. Mech
Policies used by RBA

Reallocate resources
Redist. Y
Stabilise eco
Others - Govt prod, Comp. Adv. etc.

SEE
NEXT
PAGES!

END OF THE EXAMINATION

FORM 5 ANNUAL EXAMINATION 2014 – SECTION D

24. Discuss how the Reserve Bank of Australia uses monetary policy to achieve its objectives

Criteria	Below Average	Above Average
Structure: Has the response been presented in a well written manner?	Intros weak and rambling; Paragraphs and sentences too long; Diagrams too small, unlabelled and unexplained; Don't draw to side of a paragraph either!; Conclusions too long and repetitive of intros.	Intro started with good definition; Good, clear and logical argument throughout; Clear use of diagrams that were not only big, clear and labelled but also explained; Didn't go through both sides of market operations/channels or impacts of \uparrow/\downarrow i rates but just said 'opposite applies...'
Coverage: Have all parts of the question been adequately treated?	Only mentioned market operations and/or transmission mechanism rather than 'discussed' these aspects.	Discussed market operations and channels of the transmission mechanism and related these to specific phases of the Australian economy.
Content: What level of development has been offered in the relevant areas of the question?	Boys did not have enough time to look at the channels of the transmission mechanism in detail as spent too long on market operations instead.	Good, detailed look at market operations (eg considered ESAs, etc) and all the channels of the transmission mechanism.
Supporting Evidence: Has there been an appropriate level of economic evidence/examples/data used in the response?	Not enough eggs of various stances and/or stats (inflation, growth, etc) given; Far too many focussed on the past with v little on most recent era - indeed many didn't even state the current cash rate!	Relevant examples given throughout or discussed in terms of changing stances at the end.

Marks:

Number: 74;

Range: 11 x 6, 12 x 5, 13 x 5, 14 x 6, 15 x 15, 16 x 18, 17 x 8, 18 x 6, 19 x 2, 20 x 3;

Mean: 15.3.

General Comments:

RBA has 3 broad objectives (price stability, full employment & economic prosperity) but only one specific target: headline inflation between 2-3% on average in the medium term/over the b/cycle; Low inflation is the target as this is a pre-requisite for sustainable eco growth - ie the objectives; When you draw MS in market operations, it is best use a vertical line as the supply of cash in ESAs is fixed each night;

Talk more about stances of monetary policy rather than just \uparrow/\downarrow cash rates - this has particular relevance when you consider that the long-term cash rate average is 4.5 – 5.5%;

The better you can relate the theory to the Australian economy, the better the response!!!

FORM 5 ANNUAL EXAMINATION 2014 – SECTION D

25. Discuss how the Australian Federal Government intervenes to address market failure.

Criteria	Below Average	Above Average
Structure: Has the response been presented in a well written manner?	Answers often poorly structured; eg covered demerit goods a long way from negative externalities!; Intros weak and rambling; Paras and sentences too long; Diagrams too small, unlabelled and unexplained... Don't draw to side of a paragraph either!; Conclusions too long and repetitive of intros.	Intro started with clear definition; Good, clear and logical argument throughout; Clear use of diagrams that were not only big, clear and labelled but also explained.
Coverage: Have all parts of the question been adequately treated?	Focussed more on why govts intervene rather than how Only mentioned a few forms of govt intervention	Mentioned many ways that the govt intervenes including: - Reallocation of resources (merit/demerit/public goods and + & - externalities thro taxes, subsidies, floor/ceiling govt prod, govt regulation) - Redist of Y (thro G, T, social wage & min wage) and - Stabilisation (thro fiscal & mon policies).
Content: What level of development has been offered in the relevant areas of the question?	Boys did not have enough time to look at each of the ways in detail as spent too long on 1 or 2 ways or on how instead.	Good, detailed look at the all the forms of intervention with graphical analysis where relevant
Supporting Evidence: Has there been an appropriate level of economic evidence/examples/data used in the response?	Few eggs and/or stats given.	Relevant examples given per paragraph on each of the forms of intervention

Marks:

Number: 34;

Range: 10 x 1, 11 x 1, 12 x 1, 13 x 2, 14 x 7, 15 x 11, 16 x 4, 17 x 1, 18 x 3, 19 x 2, 20 x 1;

Mean: 15.1.

General Comments:

Too many boys spent too long trying to justify market failure rather than discussing the forms of intervention;

Too many only focussed on a few ways that the govt intervenes and so scope was limited;

Also too much on p floors/ceilings when only real current eg is min wage (but v important);

More eggs and/or stats = better quality of essay!!!