



ABBOTSLEIGH

**2012
TRIAL HIGHER SCHOOL CERTIFICATE**

Economics

General Instructions

- Write your Student Number at the top of this page.
- Board approved calculators can be used.

DATE- Thursday, 9th August, 2012
TOTAL MARKS – 100
WEIGHTING- 35%
TIME ALLOWED- 3 hours and 5 minutes
reading time

SECTION 1

20 marks

- Attempt Questions 1 – 20
- Use the multiple choice answer sheet provided
- Allow about 35 minutes for this section

SECTION 2

40 marks

- Allow about 1 hour 15 minutes for this section
- Attempt Questions 21 -24
- Respond in the spaces provided on the examination paper

SECTION 3

20 marks

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

SECTION 4

20 marks

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

3. The following labour force data is for an economy.

Working age population	employed	Unemployed	Hidden unemployed
18million	11.1million	0.6million	0.3million

What is the participation rate for this economy?

- (A) 65%
- (B) 6.4%
- (C) 5.4%
- (D) 61.6%

4. What is Gross World Product?

- (A) The value of all goods and services produced in an economy in a period of time
- (B) The value of all goods and services produced by all economies in the world over a period of time
- (C) The value of all goods and services produced by advanced and developing economies in a period of time
- (D) The value of global output divided by the global population

5. The following table shows selected data for an economy.

Year	Nominal GDP (\$m)	Consumer Price Index	Gini co-efficient
1	\$450	100	0.310
2	\$550	110	0.313
3	\$700	120	0.318

Which of the following statements is correct?

- (A) From Year 1 to Year 3 the distribution of income is more equitable and real GDP has increased.
- (B) From Year 1 to Year 3 the distribution of income is more equitable and real GDO has decreased.
- (C) From Year 1 to Year 3 the distribution of income is less equitable and real GDP has decreased.
- (D) From Year 1 to Year 3 the distribution of income is less equitable and real GDP has increased.

6. When an Australian domestic company pays for imported inputs how is it recorded in the Balance of Payments?

- (A) A debit on the current account
- (B) A debt on the capital account
- (C) A credit on the financial account
- (D) A debit on the net income account

7. Which of the following international organisations lends money to developing countries for their economic development?

- (A) The G20
- (B) The World Development Bank
- (C) The International Monetary Fund
- (D) The World Bank

8. What is the effect of an appreciation of the Australian dollar on the economy?

- (A) Exports are less competitive
- (B) Exports are more competitive
- (C) Imported goods become more expensive
- (D) Economic growth slows

9. What has been the trend in Australia's policies for free trade and protection?

- (A) Governments have simplified the system of tariffs and quotas
- (B) Governments have reduced levels protection
- (C) Governments have encouraged participation in multilateral trade agreements and discouraged bilateral agreements
- (D) Australia has sought to be member of the World Trade Organisation

10. Which of the following is an economically valid reason to provide high levels of industry protection?

- (A) Protection of an important infant industry
- (B) To protect against dumping by foreign firms
- (C) Protection of domestic employment
- (D) To encourage environmentally sustainable development in the foreign producer

11. What is a disadvantage of trade?

- (A) Countries specialise in the production of goods and services
- (B) International competitiveness will improve
- (C) Long term increase in unemployment
- (D) Short term increase in unemployment

12. Which of the following would result in an increase in the Net Primary Income account of the Australia's Balance of Payments?

- (A) Increases in the level of foreign aid to the Pacific region
- (B) Rising interest rates in Australia relative to other countries
- (C) A sharp fall in Australia's Terms of Trade
- (D) Increased spending on imports by Australians

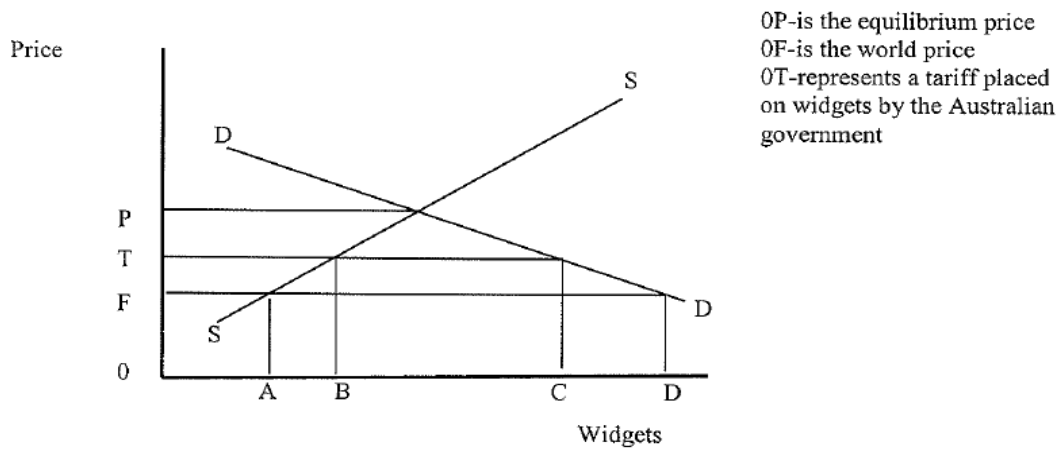
13. An economy experiences an increase in income of \$1500m from an original increase in investment of \$300m.

What is the value of the marginal propensity to consume in this economy?

- (A) 0.2
- (B) 0.8
- (C) 5
- (D) \$1200m

14. Which two indicators are used to measure Australia's external stability?
- (A) Exchange rates and CAD as a percentage of Gross Domestic Product
 - (B) Exchange rates and the Consumer Price Index
 - (C) NAIRU and Net Foreign Debt
 - (D) Net foreign debt and Net foreign equity
15. What would be an indicator that tighter monetary policy was being implemented?
- (A) Falling interest rates
 - (B) Lower marginal tax rates
 - (C) Additional discretionary government spending
 - (D) A fall in consumption spending
16. What is the most likely impact on an economy if the central government reduces the size of the budget deficit during the upswing phase of the economic cycle?
- (A) An increase in economic growth
 - (B) An increase in the level of employment
 - (C) A decrease in the level of aggregate demand
 - (D) A decrease in the payment of transfer payments
17. Which taxation system will result in a more equitable distribution of income in an economy?
- (A) A flat tax on all income
 - (B) Regressive income tax
 - (C) Goods and services tax
 - (D) Progressive income tax
18. Which of the following statements best describes the changes in Australia's financial flows in recent years?
- (A) Australia is a net capital importer as many overseas companies have been able to purchase assets in Australia as a result of deregulation of financial flows
 - (B) With deregulation foreign direct investment is growing at a faster rate than portfolio investment
 - (C) With deregulation of financial flows portfolio investment is growing at a faster rate than foreign direct investment
 - (D) Australia is a net capital exporter as a result of deregulation of the financial sector
19. What is the most likely impact of a depreciation of the Australian dollar on Australia's Balance of Payments?
- (A) An improvement in the balance of trade
 - (B) An improvement in net primary income
 - (C) A deterioration in the current account deficit
 - (D) An improvement in the competitiveness of Australian manufacturers

20. The following diagram shows the effect of a tariff.



What effect does the imposition of the tariff have on the supply of goods in the domestic economy?

- (A) Domestic supply will be AD
- (B) Domestic supply rises from 0C to 0D
- (C) Domestic supply falls from AD to BC
- (D) Domestic supply rises from 0A to 0B

End of Section 1

Section II

Student Number _____

40 marks

Attempt Questions 21-24

Allow about 1 hour and 15 minutes for this section

Answer the questions in the spaces provided.

Question 21 (10 marks)

	Mark
a) What is the international business cycle?	
.....	1
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b) What is the role of the Group of Twenty Nations (G20)?	
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c) Describe TWO characteristics of a <i>developing economy</i> .	
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d) Distinguish between economic growth and economic developmet.	
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e) Explain TWO causes of global inequality.

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Question 22 (10 marks)

Mark

a) What is the objective of ecological sustainable development?

2

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b) Why is carbon emissions considered a negative externality of production?

2

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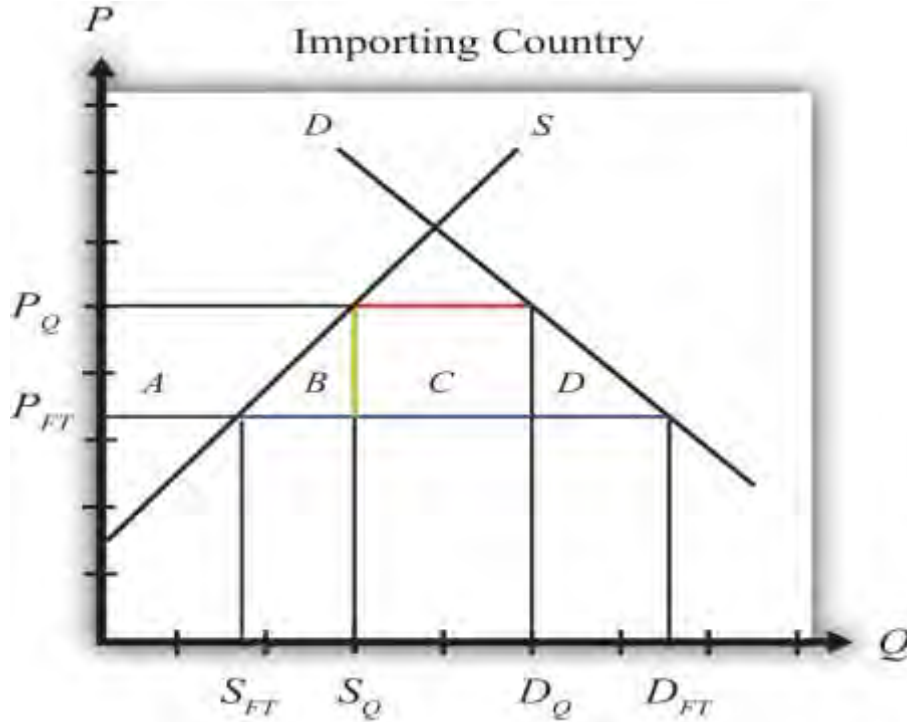
c) Analyse the use of fiscal policy to achieve environmentally sustainable development.

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Question 23 (10 marks)

The diagram below represents the impact of a quota on a market for a product.



FT is free trade
Q is quota

- a) Referring to the diagram determine the quantity supplied by domestic producers with the imposition of the quota. 1

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- b) What is the purpose of imposing a quota? 2

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- c) Identify one trade agreement Australia is a member of and explain the purpose of this agreement. 3

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d) Explain TWO reasons for the changes in Australia's trade pattern.

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Question 24 (10 marks)

Mark

a) What is the *cash rate*?

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b) Outline the purpose of *monetary policy*.

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c) Describe how the Reserve Bank of Australia implements monetary policy.

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d) Explain the impact of lower interest rates on the Australian economy.

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End of Section 2

Section III

20 marks

Attempt either Question 25 OR Question 26

Allow about 35 minutes for this section

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

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

- use your knowledge and economic information provided
- apply economic terms, concepts, relationships and theory
- present a sustained, logical and well-structured answer to the question

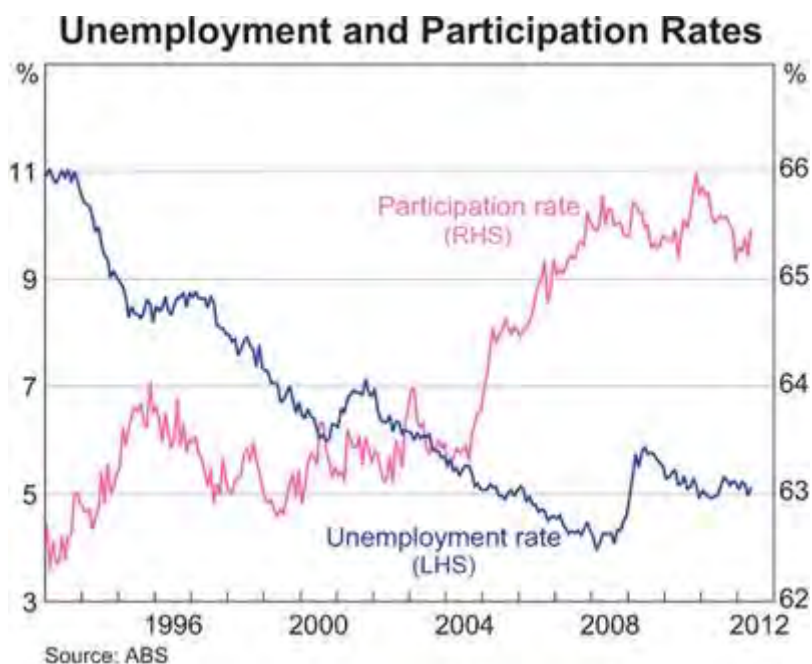
Question 25 (20 marks)

Explain the causes of unemployment in the Australian economy and analyse the federal government's macroeconomic policy mix to address unemployment. In your response you should refer to the economic information provided below.

Despite improvements in unemployment rates in Australia since the Global Financial Crisis, there will always be issues in labour markets; underemployment, hidden unemployment and the long term unemployed. Unemployment may be close to the NAIURU however appreciation of the AUD has created challenges for those employed in manufacturing. There is an opportunity for government to focus on those areas of unemployment in which policy decisions will be effective.

Source: Treasury spokesperson

Source :ABS



OR

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

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

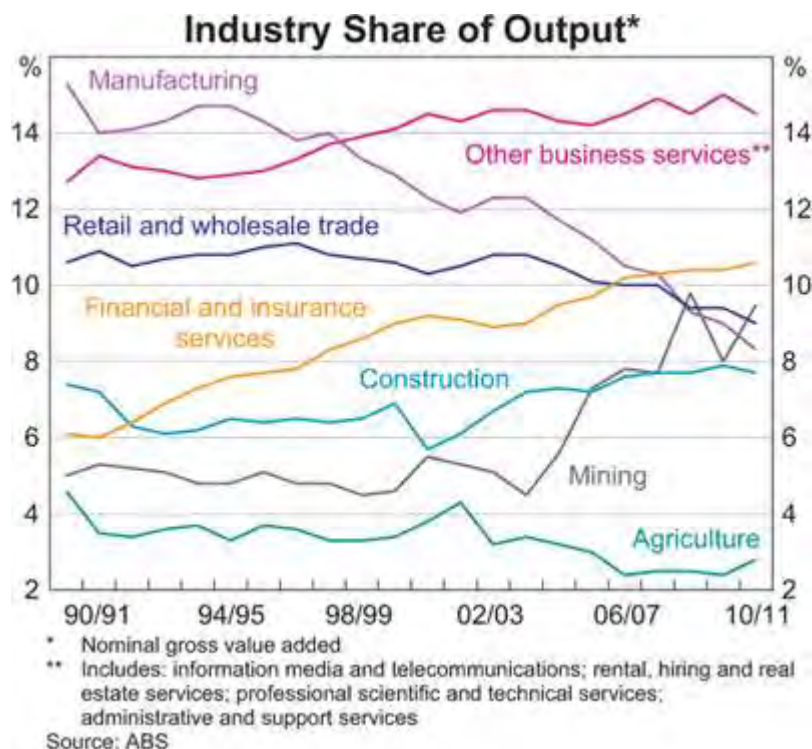
- use your knowledge and economic information provided
- apply economic terms, concepts, relationships and theory
- present a sustained, logical and well-structured answer to the question

Question 26 (20 marks)

Explain the reasons for protection policies in Australia and analyse the impacts of the federal government's reduction in protection levels on the Australian economy. In your response you should refer to the economic information provided below.

Historically, Australia has been one of the most highly protectionist countries in the world owing to its relatively small population and industry. However, owing to the long term benefits of integrating Australia into the global economy, protection levels, in particular tariffs have been significantly reduced since the 1970's.

Source: Productivity Commission spokesperson



Section IV

20 marks

Attempt either Question 27 OR Question 28

Allow about 35 minutes for this section

Answer the question in a SEPARATE writing booklet. Extra writing booklets are available.

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

- use economic data
 - apply economic terms, concepts, relationships and theory
 - present a sustained, logical and well-structured answer to the question
-

Question 27 (20 marks)

Discuss the impacts of the current fiscal stance on economic activity, resource use and distribution of income in Australia.

OR

Question 28 (20 marks)

Discuss the influence of globalisation on an economy other than Australia and evaluate the strategies used in this economy to promote economic growth and development.

End of paper

Student Number _____

ECONOMICS HSC TRIAL EXAMINATION Multiple Choice Sheet

Use the multiple-choice answer sheet.

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

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

If you think you have made a mistake, put a cross through the incorrect answer and fill in the new answer.

A B C D

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

A B ^{*correct*} C D

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|-----|-------------------------|-------------------------|-------------------------|-------------------------|
| 1. | A <input type="radio"/> | B <input type="radio"/> | C <input type="radio"/> | D <input type="radio"/> |
| 2. | A <input type="radio"/> | B <input type="radio"/> | C <input type="radio"/> | D <input type="radio"/> |
| 3. | A <input type="radio"/> | B <input type="radio"/> | C <input type="radio"/> | D <input type="radio"/> |
| 4. | A <input type="radio"/> | B <input type="radio"/> | C <input type="radio"/> | D <input type="radio"/> |
| 5. | A <input type="radio"/> | B <input type="radio"/> | C <input type="radio"/> | D <input type="radio"/> |
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| 17. | A <input type="radio"/> | B <input type="radio"/> | C <input type="radio"/> | D <input type="radio"/> |
| 18. | A <input type="radio"/> | B <input type="radio"/> | C <input type="radio"/> | D <input type="radio"/> |
| 19. | A <input type="radio"/> | B <input type="radio"/> | C <input type="radio"/> | D <input type="radio"/> |
| 20. | A <input type="radio"/> | B <input type="radio"/> | C <input type="radio"/> | D <input type="radio"/> |

ABBOTSLEIGH



Economics HSC Trial August 2012 Marking Guidelines

Section I Multiple choice

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

*A is not correct because overseas companies could buy assets in Australia before deregulation

Section II Short answer

Question 21

a	Clearly describes the international business cycle as fluctuations/changes in the level of economic activity/output/global GDP in the global economy over time. If missing an element of the above answer then 0	1
b	Clearly describes the G20 as an organisation comprising the worlds' largest national economies OR as a forum/council of nations responsible for managing the global economy MAY distinguish the G20 from the G8 as the G20 also includes the largest 'emerging' economies	1
c	Clearly describes TWO characteristics Answers could include any TWO of; <ul style="list-style-type: none">• Low income levels, high levels of income inequality, large proportion of pop in absolute poverty• Moderate GDP growth, high % of pop in agriculture, little innovation, poor infrastructure• High pop growth, low levels of education, low living standards (low life expectancy)	2
	Sketches in very general terms TWO characteristics OR Describes one of the above	1

d	Clearly states the difference between economic growth and development. <ul style="list-style-type: none"> Economic growth is the increase in the size of the economy/improvements in living standards May refer to measured GDP per capita, Gross National Income (GNI) Economic develop measures the improvements in well-being and welfare/quality of life. May refer to measured using HDI 	2
	Outlines in general terms an aspect of either economic growth OR economic development	1

e	Clearly explains Global and/or Domestic factors	4
	Sketches in general terms the reasons	3
	Refers to	1-2

P54

Global:

Global trade system – excluded from regional trade blocs, high levels of agricultural protection used against them, complexity of WTO appeals process when disadvantaged by other (richer) countries protection policies.

Global financial system –

Global aid & assistance –

Global technology flows -

Domestic:

Natural resources endowment

Labour supply and quality

Access to capital

Entrepreneurial culture

Political & economic institutions

Economic policies

Govt. responses to globalisation

Question 22

a	Clearly describes the objective of ESD as	2
	Refers to use of resources such as <ul style="list-style-type: none"> Avoiding overuse of resources 	1

Answers could include;

- Avoiding short-term exploitation of the environment for economic growth
- A level of economic growth that means that resources are not used up
- Balancing economic growth with long term maintenance of the quality of the environment
- Avoiding using resources at such a rate that the production possibility curve shrinks in the future

b	Clearly explains that carbon emissions are a negative externality because they are a form of pollution which is not included in the price of the good (but is paid for by society or government)	2
	Refers to carbon emissions being a 'spill-over effect' that damages the environment which incurs a cost to clean up.	1

c) Analyse the use of fiscal policy to achieve ESD

c	Analyses by describing the benefits and costs on the individuals, firms or businesses of fiscal policy (taxes, subsidies, budget spending) to achieve sustainable use of environmental resources	6
	Sketches in general terms the benefits and costs of using fiscal policy to achieve ESD	4-5
	May refer to carbon tax and its impacts	2-3
	Refers to government spending on environmental projects	1

Fiscal policies include;

Imposing a tax on the product with negative externalities will increase prices for consumers but will reduce the negative impacts of pollution (for example). Individuals may change behaviour. Firms invest in new technology to reduce pollution or innovate to use less environmentally friendly processes

Budget spending on projects has the benefit of improving the sustainable use of resource through repairing it 'Water for the Future Policy'. But this usually means that another area of spending is cut.

Question 23

a	Correctly identifies SQ or 0-SQ	1
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b. Purpose of imposing a quota.

	To reduce competition for domestic suppliers so that employment in those industries is stimulated	2
	Sketches in general terms to reduce competition OR states to limit the amount of good that can be imported	1

c. Trade agreement Australia is a member of.

	Clearly identifies a global, bilateral or multilateral trade agreement and explains the reason for the particular agreement. May just use the acronym for the agreement.	3
	Identifies a trade agreement Australia is a member of and outlines the purpose of trade agreements in general terms.	2
	Outlines in general terms the purpose of a trade agreement	1

Answers could include;

- Global; WTO
- Multilateral; APEC, CERTA, AANZFTA,
- Bilateral; Australia – Singapore (2003), Aust- Thailand, Aust – USA (2004), Aust-Chile (2008)
- Text pages 33-35

d	Clearly explains TWO reasons for the changes in Australia's trade pattern	4
	Outlines ONE reason for changing pattern with reference to a second. Sketches in general terms changes in Australia's trade pattern	2-3
	Refers to or describes changes in Australia's trade pattern	1

Answers could include;

EU Australia lost access to markets in UK and Europe. Barriers to trade had to be imposed on Australia as with other non-member nations under the EU agreement.

Growth in Asia's demand for commodities to fuel their economic growth and Australia has vast reserves of these to export. Firstly Japan and then China.

Need for Australia to import business capital and consumer goods (not produced locally)– much of which came from USA who had an advantage in these ETM's. China as a source of imports as low cost labour allowed it to have substantially lower prices.

Question 24

a. Cash rate

a	Identifies the Cash rate as interest rate in short term money market OR the interest influenced by the RBA. May refer to implement monetary policy)	1
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b. Purpose of monetary policy

b	Clearly outlines the purpose as to manage / influence the level of economic growth OR manage inflation OR reduce unemployment OR minimise fluctuations of the AUD	2
	Refers to manipulation of interest rates	1

c. RBA implementation of monetary policy

C	Clearly describes the buying and selling of securities to change the supply of funds in the short term money market to affect the cash rate so that it reaches the target that the RBA wants. The cash rate is the rate which all other retail rates are determined. May describe the how the RBA affects the Exchange Settlement Accounts banks have with the RBA	3
	Sketches in general terms that the RBA manipulates the supply of funds to change the cash rate.	2
	Refers to DMO or influencing interest rate	1

May describe how the RBA tightens or loosens monetary policy

d. Explain the impact of lower interest rates on the Australian economy

d	Explains in detail the impact of lower interest rates on Aggregate demand and unemployment OR explains impact on AUD and exports/imports	4
	Limited explanation or explains in very general terms. Describes the Transmission mechanism in some detail	2-3
	Refers to an impact of lower interest rates	1

Answers could include;

Lower interest rates make it cheaper for businesses to borrow for investment and consumers to borrow to make purchases. Cheaper repayments on mortgages will give families more disposable income encouraging spending. More spending leads to more demand / increase in aggregated demand and firms will employ more people to meet that demand.

Increase in aggregate demand without an increase in supply will lead to inflation because consumers will be willing to pay higher prices.

Falling interest rates will make Australia a less attractive 'investment' so there will be a fall in financial inflows and lower demand for the AUD – depreciation. Exports more competitive and imports rise in price

Section III Stimulus based essay

Question 25

Explain the causes of unemployment in the Australian economy and analyse the federal governments' macroeconomic policy mix to address unemployment.

Question 25 Criteria	Marks
<p>Synthesises own knowledge and understanding with information provided to develop a sustained, logical and cohesive response Extensive integration of relevant economic terms, concepts, relationships and theory</p> <p>Provides a clear explanation of the causes of unemployment and comprehensively analyses the relationship between the federal government's macroeconomic policy mix and its impact on unemployment in the Australian economy</p>	17–20
<p>Synthesises own knowledge and understanding with information provided to develop a logical and cohesive response Integrates relevant economic terms, concepts, relationships and theory</p> <p>Provides some explanation of the causes of unemployment and some analysis of the impact of the federal government's macroeconomic policy mix and unemployment in the Australian economy</p>	13–16
<p>Uses own knowledge and understanding with information provided to develop a coherent response Applies economic terms, concepts and relationships</p> <p>Sketches in general terms causes and/or types of unemployment Description of the use of the federal government's macroeconomic policy mix to address unemployment in the Australian economy</p>	9–12
<p>Uses information to develop a generalised response Uses some economic terms, concepts and relationships</p> <p>Refers to causes or types of unemployment Sketches in general terms the use of federal government's macroeconomic policy (Fiscal and/or monetary) to addresses unemployment in the Australian economy</p>	5–8
<p>Presents a limited response Uses some economic terms and/or concepts</p> <p>Uses some economic terms and/or concepts relating to the federal government's macroeconomic policy mix and/or unemployment</p>	1–4

Trends data falling and stable 5.2% close to NAIRU

types and causes

- cyclical
- structural – *significant (could mention high AUD)*
- frictional
- seasonal
- underemployment
- hidden
- long term – *a particular concern*

Use of Fiscal and Monetary to stimulate economic growth and therefore employment – as labour is a derived demand

Monetary – transmission mechanism, increase in aggregate D time (but lags of 6-18mths). Loosening policy can be inflationary

Expansionary Fiscal policy – expansionary (Stimulus package) + mention specific budget measures (spending programs) e.g. Job Services Australia, National Workforce Development Fund, changes to tax threshold. But current Budget contractionary

Question 26

Explains the reasons for protection policies in Australia and analyse the implications of Australia's policies regarding free trade and protection for individuals, firms and governments.

Question 26 Criteria	Marks
<p>Synthesises own knowledge and understanding with information provided to develop a sustained, logical and cohesive response Extensive integration of relevant economic terms, concepts, relationships and theory</p> <p>Provides a clear explanation of the reasons for protection policies in Australia</p> <p>Comprehensively analyses the implications of Australia's policies for free trade and protection for individuals and firms and governments</p>	17–20
<p>Synthesises own knowledge and understanding with information provided to develop a logical and cohesive response Integrates relevant economic terms, concepts, relationships and theory</p> <p>Provides a some explanation of the reasons for protection policies in Australia</p> <p>Some analysis of the impacts of Australia's protection policies on individuals, firms and governments</p>	13–16
<p>Uses own knowledge and understanding with information provided to develop a coherent response Applies economic terms, concepts and relationships</p> <p>Sketches in general terms protection policies in Australia</p> <p>Description of protection policies used in Australia and refers to impacts on individuals and/or firms and/or governments</p>	9–12
<p>Uses information to develop a generalised response Uses some economic terms, concepts and relationships</p> <p>Refers to protection policies and the impacts on individuals and/or firms and/or government</p>	5–8
<p>Presents a limited response Uses some economic terms and/or concepts relating to protection in Australia</p>	1–4

Reasons for protection – infant industry (Aust car industry), prevention of dumping, protect domestic employment, self-sufficiency/defense (Which of these most apply to Aus should be revealed in higher band essays) also environmental reasons and prevention of exploitation of overseas labour.

Implications text 142 - 145

Individuals – u/e (structural) short term, other business new employment opportunities (education/tourism), cheaper prices and more choice – living standards

Firms – (winners & losers) import competing industries, more innovative & efficient, better cope as exporters, cheaper inputs help, but non-competitive firms eliminated (manufacturing)

Governments – loss of tariff revenue (but only minor now), spending for structural u/e retraining programs, politically unpopular, L/t Economic growth

Section IV Essay

Question 27

Discuss the impacts of the current fiscal stance on economic activity, resource use and distribution of income in Australia.

Question 27 Criteria	Marks
<p>Extensive integration of relevant economic terms, concepts, relationships and theories Provides comprehensive economic information in a sustained, logical and cohesive response</p> <p>Provides clear and comprehensive arguments identifying points for and/or against how the current fiscal stance impacts economic activity, resource use and distribution of income in the Australian economy</p>	17–20
<p>Integrates relevant economic terms, concepts, relationships and theories Provides sound economic information in a logical and cohesive response</p> <p>Provides sound arguments identifying points for and/or against how the current fiscal stance impacts economic activity, resource use and distribution of income in the Australian economy</p>	13–16
<p>Applies economic terms, concepts and relationships Develops a coherent response</p> <p>Sketches in general terms points for and/or against how the fiscal policy impacts economic activity, resource use and/or distribution of income May refer to current stance</p>	9–12
<p>Uses some economic terms, concepts and relationships Develops a generalised response</p> <p>States some aspects of fiscal policy and refers to impacts on EITHER economic activity OR resource use or distribution of income May refer to Australia</p>	5–8
<p>Use some economic terms and/or concepts Presents a limited response Lists some impacts of economic policy</p>	1–4

Fiscal policy

- Federal Government budgets and budget outcomes
- effects of budgetary changes on resource use, income distribution and economic activity

Resource use – infrastructure spending, taxes, public goods, environmental protections

Income – tax policies to redistribute income, assistance to low income earners

Economic activity – shift from expansionary to contractionary,

Question 28

Discuss the influence of globalisation on an economy other than Australia and evaluate the strategies used in this economy to promote economic growth and development

Question 28 Criteria	Marks
<p>Extensive integration of relevant economic terms, concepts, relationships and theories Provides comprehensive economic information in a sustained, logical and cohesive response</p> <p>Provides clear and comprehensive arguments identifying points for and/or against the influence of globalisation</p> <p>Clearly evaluates the success of strategies implemented in the economy to promotion economic growth AND development</p>	17–20
<p>Integrates relevant economic terms, concepts, relationships and theories Provides sound economic information in a logical and cohesive response</p> <p>Provides sound arguments identifying points for and/or against the influence of globalisation</p> <p>Some evaluation of strategies implemented in the economy to promote economic growth and/or development</p>	13–16
<p>Applies economic terms, concepts and relationships Develops a coherent response</p> <p>Sketches in general terms the influence of globalisation on the economy Describes strategies implemented to promote economic growth and/or development</p>	9–12
<p>Uses some economic terms, concepts and relationships Develops a generalised response</p> <p>States some aspects of globalisation and/or strategies to used to promote economic growth or economic development. May refer to an economy other than Australia</p>	5–8
<p>Use some economic terms and/or concepts Presents a limited response Lists aspects of globalisation May refer to strategies to promote economic growth or development</p>	1–4