



Barker College

2009
TRIAL
HIGHER SCHOOL
CERTIFICATE

ECONOMICS

Staff Involved:

- JLD*
- LRN
- JMT

60 copies

PM TUESDAY 11 AUGUST, 2009

General Instructions

- Reading time – 5 minutes
- Working time – 3 hours
- Board approved calculators may be used
- Write using blue or black pen
- Write your Barker Student Number at the top of each answer page

Total marks – 100

Section I

Pages 3–9

20 marks

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

Section II

Pages 10–17

40 marks

- Attempt Questions 21–24
- Allow about 75 minutes for this section

Section III

Pages 18–19

20 marks

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

Section IV

Page 20

20 marks

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

Section I

20 marks

Attempt Questions 1–20

Allow about 35 minutes for this section

Use the multiple-choice answer sheet

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) (C) (D)

correct →

1. Which of the following are features of the global economy?
- (A) Increased trade in goods but not in services
 - (B) Increased trade in services, goods, labour and technology
 - (C) Increasing debt and decreasing equity flows between nations
 - (D) Increasing transfers of technology, but not in labour

The table shows population and employment data for two countries, A and B.

<i>Country</i>	<i>Population (millions)</i>	<i>Working age population (millions)</i>	<i>Employed (millions)</i>	<i>Unemployed (millions)</i>
A	120	70	35	5
B	90	50	26	4

2.70
60

2. Which statement is correct?
- (A) Country A has a higher participation rate than Country B.
 - (B) Country A has the same unemployment rate as Country B.
 - (C) Country B has a higher participation rate than Country A.
 - (D) Country B has a lower population growth rate than Country A.

3. The table shows data for a hypothetical economy.

Year	Export Price Index	Import Price Index
1	100	100
2	110	105
3	130	140

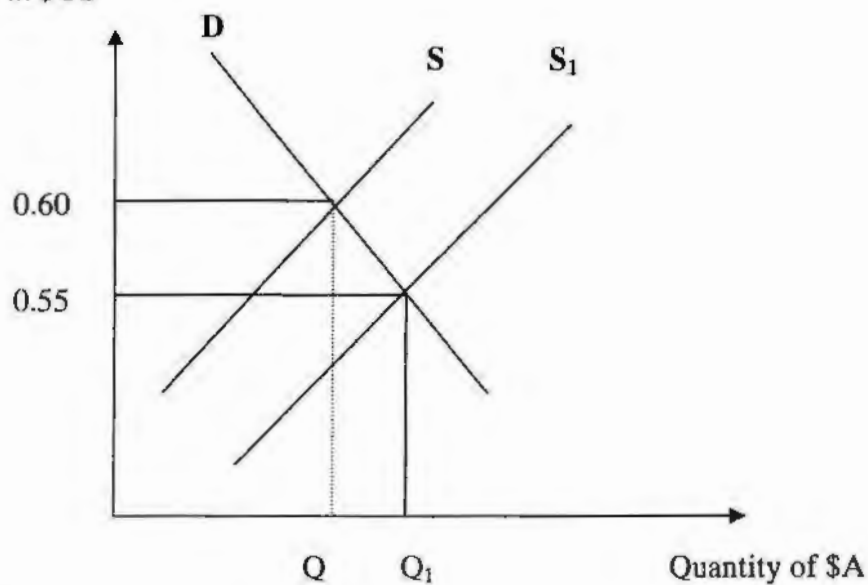
Which of the following statements is correct?

- (A) In Year 2, import prices rose faster than export prices.
- (B) In Year 3, export prices rose faster than import prices.
- (C) In Year 3, a given volume of exports will buy a larger volume of imports.
- (D) In Year 3, a given volume of exports will buy a smaller volume of imports.

4. Which of the following government policies is the most likely to lead to an improvement in environment quality?
- (A) Increased subsidies to oil producers
 - (B) Increased tax concessions on renewable energy sources
 - (C) Reduced levels of spending on public transport
 - (D) Decreased subsidies on using solar power

In the diagram below DD is the demand and SS is the supply curve for the Australian dollar

Price of \$A in \$US



5. What would have most likely produced the movement in the Australian dollar illustrated in the diagram?
- (A) An increase in Australia tourism to overseas countries
 - (B) A reduction in speculative investment in overseas markets
 - (C) A greater overseas demand for Australian wheat
 - (D) Foreigners increasing their investment in Australian shares

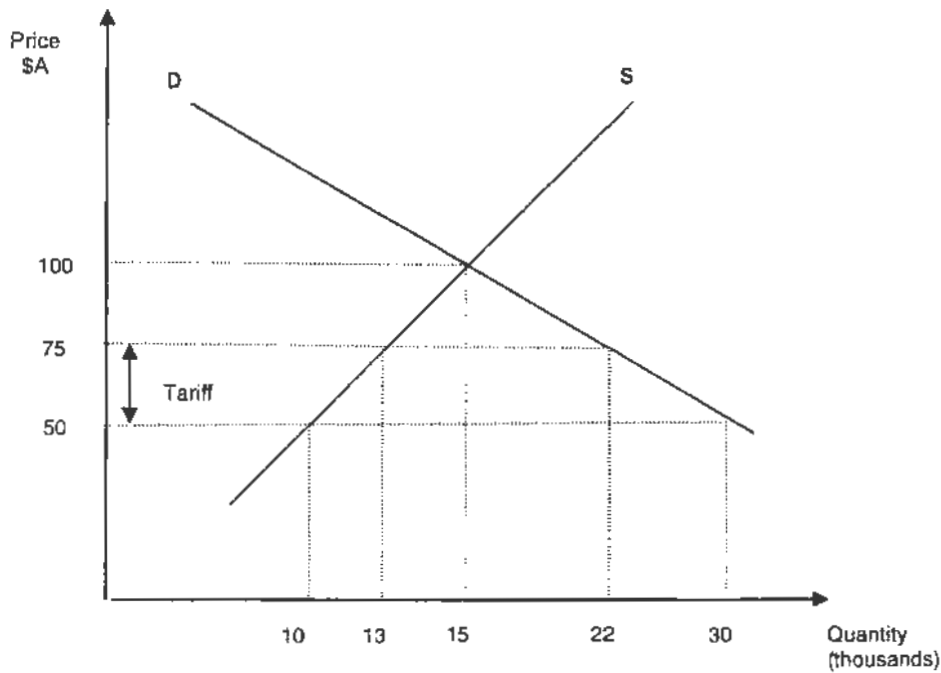
6. The overseas transactions of a hypothetical economy are as follows.

	\$b		\$b
Export of goods	30	Imports of goods	40
Export of services	5	Imports of services	8
Receipts of interest and dividends	8	Payments of interest and dividends	2
Transfer credits	4	Transfer debits	4

What is the balance on current account?

- (A) -\$6b
 - (B) -\$7b
 - (C) +\$7b
 - (D) -\$13b
7. The Indonesian government announces it will give \$1 million dollars to assist the reconstruction of schools in regional Victoria after the recent bushfires.
- In which component of the Balance of Payments would this be recorded?
- (A) Current account credit
 - (B) Capital transfer credit
 - (C) Income credit
 - (D) Financial account credit
8. A country's Human Development Index (HDI) has increased from 0.745 to 0.975. Which of the following would have occurred?
- (A) The country is becoming more globalised
 - (B) Incomes are rising faster than prices
 - (C) Export prices are rising faster than import prices
 - (D) The standard of living is increasing

The diagram shows the effect of a tariff on the domestic shoe industry.

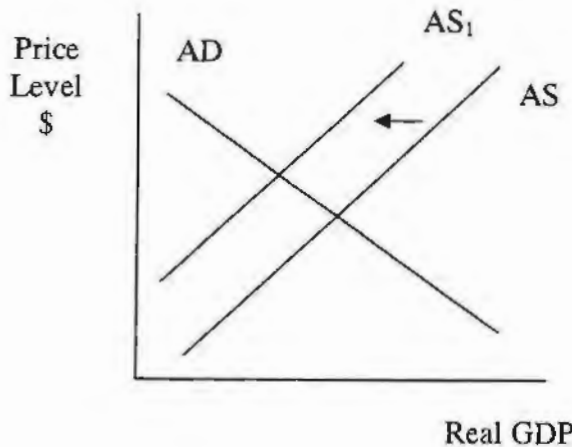


9. What quantity of imports will be demanded, following the removal of this tariff?
- (A) 9 000
 (B) 15 000
 (C) 20 000
 (D) 30 000
10. What is an economic cost to an economy of an unequal distribution of income?
- (A) An increased level of government welfare spending
 (B) An increased incentive for people to raise labour productivity
 (C) An increased incentive for people to save
 (D) An increased level of consumption spending
11. As a form of protection for domestic industries, why are subsidies preferred over tariffs?
- (A) Subsidies are easier to impose and create greater efficiency gains than tariffs
 (B) Tariffs tend to benefit consumers because they lower inflationary pressures
 (C) Tariffs tend to generate greater retaliation from trading partners than subsidies
 (D) Subsidies are government expenditure and are more likely to be reviewed

12. Which of the following polices would be most suitable to close a deflationary gap?

- (A) Increasing the budget surplus
- (B) Increasing interest rates
- (C) Increase the Goods and Services Tax
- (D) Increase the budget deficit

The following diagram represents the aggregate demand and aggregate supply curves in an economy.



13. Which of the following could cause the aggregate supply curve to shift from AS to AS₁?

- (A) An increase in the rate of labour productivity
- (B) An increase in the price of oil
- (C) An increase in the rate of immigration
- (D) An decrease in interest rates

14. What is the likely effect of the removal of government subsidies on solar panels for individual homes?

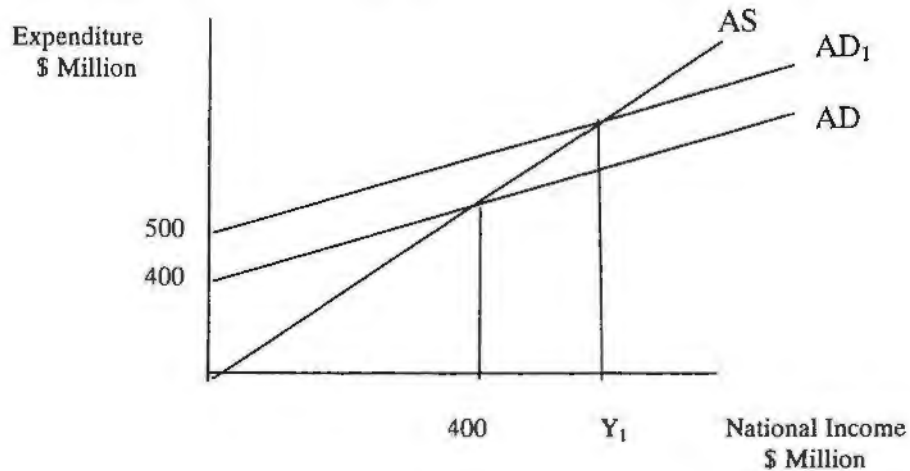
- (A) A decrease in the price of solar panels
- (B) A redistribution of income from governments to producers
- (C) A reallocation of resources from renewable to non-renewable energy sources
- (D) An reduction in carbon emissions

15. What is a major cause of frictional unemployment in the labour market?

- (A) A decrease in aggregate demand
- (B) A mismatch of skills and the nature and pattern of production
- (C) A lack of skills and education in the workforce
- (D) A lack of information between job seekers and employers

16. To avoid upward pressure on domestic interest rates, how could the Federal Government finance a budget deficit?
- (A) Issue new treasury bonds in Australia
 - (B) Reduce marginal income tax rates
 - (C) Borrow from overseas financial markets
 - (D) Lower the rate of GST

The following diagram shows aggregate demand and supply curves of a nation.



17. If aggregate demand increased from AD to AD₁ because of an increase in investment and the economy's MPS is 0.1, what is the new equilibrium income at Y_1 ?
- (A) \$1 000 million
 - (B) \$1 400 million
 - (C) \$1 800 million
 - (D) \$4 000 million
18. Which of the following is the likely effect of a rise in Australia's terms of trade?
- (A) A rise in the current account deficit and an appreciation in value of the Australian dollar
 - (B) A rise in the current account deficit and a depreciation in value of the Australian dollar
 - (C) A fall in the current account deficit and an appreciation in value of the Australian dollar
 - (D) A fall in the current account deficit and a depreciation in value of the Australian dollar

19. What would be the most likely effect of a fall in real interest rates in Australia?
- (A) A rise in the level of foreign investment in Australia and an appreciation of the Australian dollar
 - (B) A fall in the level of foreign investment in Australia and an appreciation of the Australian dollar
 - (C) A rise in the level of foreign investment in Australia and a depreciation of the Australian dollar
 - (D) A fall in the level of foreign investment in Australia and a depreciation of the Australian dollar
20. Which of the following are merit goods?
- (A) Roads and airports
 - (B) Museums and libraries
 - (C) Alcohol and cigarettes
 - (D) Cars and rubbish tips

End of Section I

Section II

40 marks

Attempt questions 21 - 24

Allow about 1 hours 15 minutes for this section

Answer the questions in the spaces provided.

	Marks
Question 21 (10 marks)	
(a) Distinguish between economic growth and economic development.	2
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(b) Describe ONE recent government policy that has been used to generate economic growth in a country other than Australia.	3
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Question 21 continues on page 11

Question 21 (continued)

Marks

- (c) Assess the effectiveness of government policies used to promote economic development in a country other than Australia.

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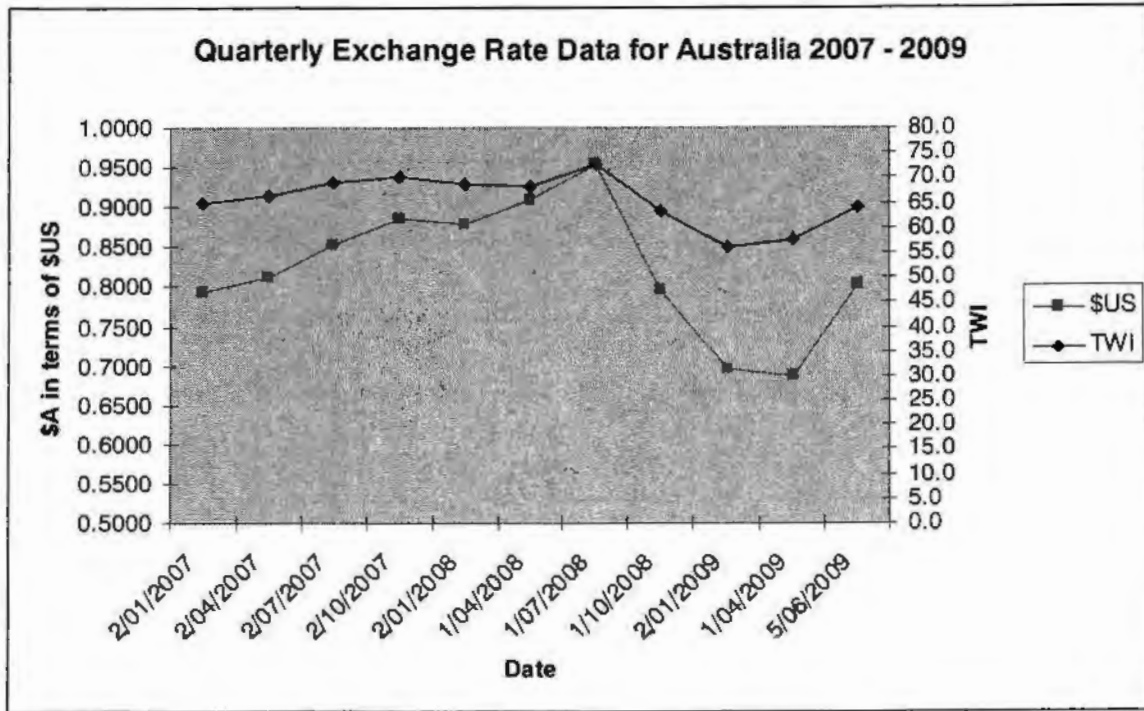
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End of Question 21

Question 22 (10 marks)



(a) Define the term exchange rate.

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(b) Describe the trend in the exchange rate for the Australian dollar in terms of the US dollar between 2007 and 2009.

2

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Question 22 continues on page 13

Question 21 (continued)

Marks

- (c) Explain why the Trade Weighted Index is a better measure of the relative value of the Australian dollar. **3**

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- (d) Analyse the effects on the Australian economy of the depreciation in the Australian Dollar from July 2008 to April 2009. **4**

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End of Question 22

Question 23 (10 marks)

The table shows selected data for a country with a labour force 12 million people.

Year	Nominal Gross Domestic Product (GDP - \$m)	Consumer Price Index (CPI)	Unemployment (million)
1	380	100	2
2	416	104	2
3	450	110	1.8
4	475	115	1.8
5	520	120	1.8

- (a) Calculate the unemployment rate in Year 3.

1

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- (b) Calculate the real GDP for this country in Year 2.

1

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- (c) Discuss the effects of inflation on the residents of this country.

3

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Question 23 continues on page 15

Question 23 (continued)

Marks

- (d) Analyse the relationship between economic growth, inflation and unemployment in this economy.

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End of Question 23

Question 24 (10 marks)

They (the Australian people) need us to put the conflict model of workplace relations that led to "Work Choices" firmly behind them – and to replace it with one built on the principles of balance, fairness and simplicity with an over-riding objective of boosting national economic productivity and prosperity.

The Hon. Julia Gillard MP

- (a) Distinguish between an industrial award and a collective agreement. 2

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- (b) Explain the process of enterprise bargaining in wage determination. 3

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Question 24 continues on page 17

Question 24 (continued)

Marks

- (c) Assess the economic effects of labour market deregulation on the Australian economy. **5**

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End of Question 24

End of Section II

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. Write your student number on each page.

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

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

EITHER

Question 25 (20 marks)

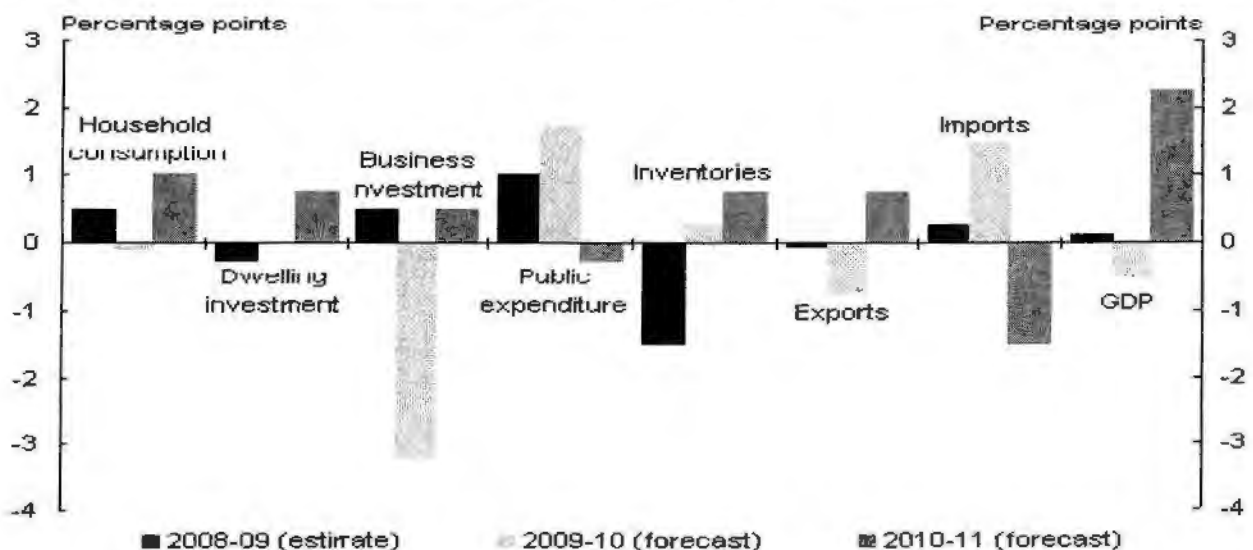
Explain the current policy mix being implemented to achieve Australia's economic objectives.

The centrepiece of the 2009-10 Federal Budget is a significant program of investment in nation building infrastructure, including roads, rail, ports, universities and energy efficiency. The net measures in the Budget raise the level of GDP by $\frac{3}{4}$ of a per cent in 2009-10. These measures will support the housing sector, jobs and small business. The downturn will impact significantly on jobs, with unemployment peaking at $8\frac{1}{2}$ per cent in 2010-11.

Source: http://www.budget.gov.au/2009-10/content/at_a_glance/html/at_a_glance.htm

The downturn in the global economy has had a significant effect on output growth in Australia. Since September last year, the cash rate has been lowered by $4\frac{1}{4}$ percentage points and, unlike in many other countries, the bulk of this reduction has been passed on to end borrowers, particularly households. There has also been a very substantial easing of fiscal policy.

Source: http://www.rba.gov.au/PublicationsAndResearch/StatementsOnMonetaryPolicy/statement_on_monetary_0509.html



Source: http://www.budget.gov.au/2009-10/content/bp1/html/bp1_bst2-03.htm

Section III (continued)

OR

Question 26 (20 marks)

Explain the role of microeconomic reform in assisting Australia to reach its economic objectives.

Following a surge in productivity in the 1990's, Australia's productivity growth rate has slowed to below the long term average. Multifactor productivity declined from 1.6 per cent to 0.6 per cent in the period since 2000.

Productivity Commission Update – April 2009

http://www.pc.gov.au/_data/assets/pdf_file/0003/88059/pc-update-200904.pdf

Australia's tariff reductions over the 1970s, 80s and 90s has been one of the major unilateral liberalisations in the world. But, in the space of a generation, Australia's tariff walls were dismantled with the average level of industry protection, as measured by the effective rate of assistance, falling from over 30 per cent to under 5 per cent between 1970 and 2001. Effective rates of assistance have remained at a little under 5 per cent since.

Department of Foreign Affairs and Trade

http://www.dfat.gov.au/publications/benefits_trade_liberalisation/cie_report.pdf

The two main benefits of financial deregulation are broad-ranging and powerful. The first relates to the operation of the financial system. Once regulations are removed, the financial sector becomes not only more efficient but also more responsive to the financial needs of the economy. New financing techniques and markets develop, resulting in a more diversified and resilient financial sector.

The second set of benefits relate to improvements in monetary control. In the Australian experience, notwithstanding some significant transitional difficulties, the move away from using direct controls to implement monetary policy to a system based on market operations ultimately gave the authorities greater scope to manage the economy, and helped pave the way for a return to economic stability.

Reserve Bank of Australia

End of Section III

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.
Write your student number on all pages.

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
-

EITHER

Question 27 (20 marks)

Outline the main methods of protection that have been used in Australia and analyse the reasons for government policies to reduce protection and promote free trade.

OR

Question 28 (20 marks)

Outline the main features of globalisation and assess the effectiveness of international organisations and trade agreements in promoting free trade.

End of Section IV

End of Paper



ECONOMICS - Marking Criteria

Section I – Multiple Choice

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

Section II – Short Answer

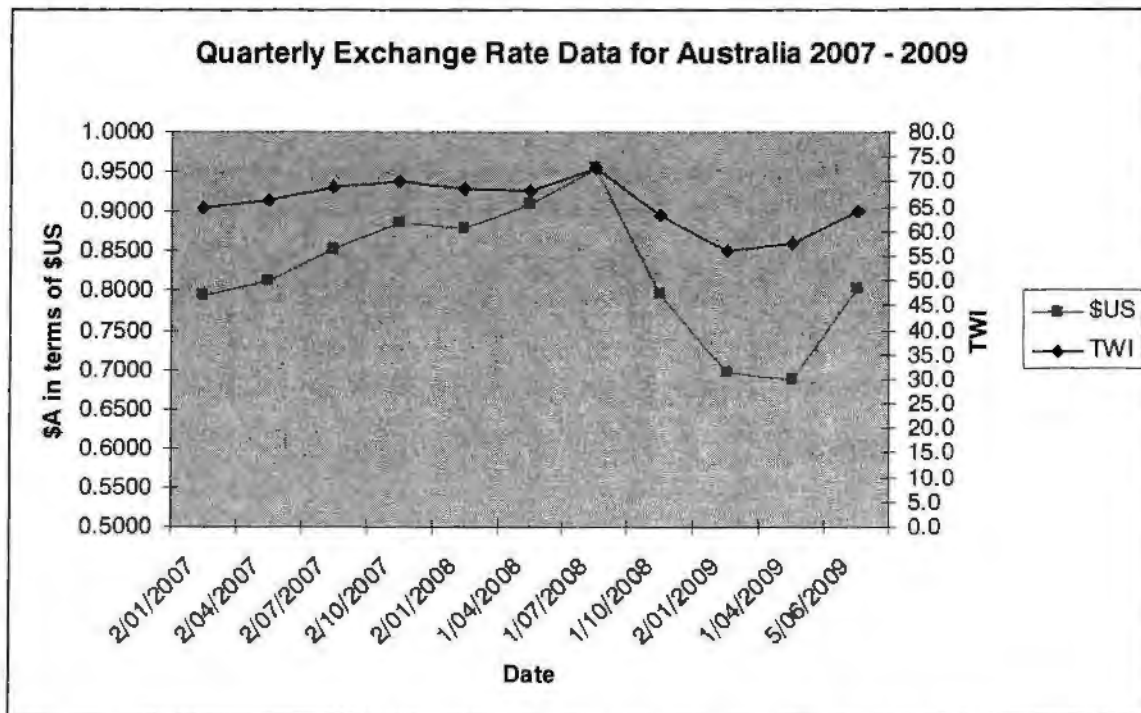
Question 21 – 10 marks

Syllabus Outcomes tested – H1, H4, H6, H10, H11

Criteria	Mark
<p>a) Distinguish between economic growth and economic development.</p> <p>1 mark for each correct definition. Makes the difference known between the two concepts. Economic growth – an increase in a nations capacity to produce goods and services Economic development – an increase in the general living standards of a nation</p>	2
1 correct definition or brief or inadequate definitions	1
No or inappropriate response	0
<p>b) Describe ONE recent government policy that has been used to generate economic growth in a country other than Australia.</p> <p>Country must be named. Provides characteristics and features of one economic policy. Should use data or examples to demonstrate economic growth. Best answers referred to the components of AD and the operation of the multiplier</p>	3
General characteristics of a policy outlined. Little evidence of the economic growth.	1 – 2
No or inappropriate response	0
<p>c) Assess the effectiveness of government policies used to promote economic development in a country other than Australia.</p> <p>Country must be named. Refers to more than one policy – macro or micro Makes a judgement about the success of the policy(s) in generating economic development. Refers to some indicators to explain the change in economic development eg: infant mortality, literacy rates, life expectancy, etc. Used data to support their arguments.</p>	4 – 5
Some characteristics of a policy outlined. Attempts to make a judgement about success of the policy.	2 – 3
General statements about the change to economic development General or no statements about economic development	0 – 1

Question 22 – 10 marks

Syllabus Outcomes tested – H1, H3, H4, H9, H10, H11



Criteria	Mark
<p>a) Define the term exchange rate.</p> <p>1 mark for the correct definition. The rate at which a unit of domestic currency is exchanged for a given amount of foreign currency.</p>	1
<p>b) Describe the trend in the exchange rate for the Australian dollar in terms of the US dollar between Jan 2007 and April 2009.</p> <p>Correctly provides characteristics of the trend in the \$A in terms of the \$US between 2007 and 2008. Answer must use dates and data from the graph and uses correct terminology. Answer must refer to the 2 distinct trends for 2 marks. ie: the <i>appreciation</i> of the \$A from 0.78 US in Jan 2007 to 0.96 US in Aug 2008. Then a major <i>depreciation</i> to 0.67 US cents in April 2009.</p>	2
<p>General reference to the trend. May not use dates and data. Uses informal language eg: 'up and down'</p>	1
<p>No or inappropriate response.</p>	0
<p>c) Explain why the Trade Weighted Index is a better measure of the relative value of the Australian dollar.</p> <p>Defines the TWI. Provides reasons why it is a better measure of the value of the \$A. eg: the TWI is a weighted index of currencies from Australia's major trading partners. Movements in the TWI give a more accurate measure of the effects of currency movements on Australia's trade performance – BOGS.</p>	3
<p>General reference to the TWI, may not refer to the weights used in the index, or some reference to movements of the exchange rates on Australia's trade performance.</p>	1 - 2
<p>No or inappropriate response.</p>	0

CRITERIA	MARK
<p>d) Analyse the effects on the Australian economy of the depreciation in the Australian Dollar from July 2008 to April 2009.</p> <p>Correctly defines a depreciation of the \$A. Draws out and relates implications of a depreciation on the Australian economy – eg: imports becoming relatively more expensive, exports becoming relatively cheaper, improvements in the BOGS, possible increases in inflation, increasing debt servicing costs and a higher value of foreign liabilities. Best responses will identify the influence of time, proportions and volume of trade on the balance of payments.</p>	3 - 4
<p>General statements about some effects of a depreciation. Some relationships outlined. Some terminology used.</p>	1 - 2
<p>No or inappropriate response.</p>	0

Question 23 – 10 marks

Syllabus Outcomes tested – H1, H6, H7, H8, H9, H10, H11

Labour force is 12 million.

Year	Nominal Gross Domestic Product (GDP - \$m)	Consumer Price Index (CPI)	Unemployment (million)
1	380	100	2
2	416	104	2
3	450	110	1.8
4	475	115	1.8
5	520	120	1.8

Criteria	Mark
<p>a) Calculate the unemployment rate in Year 3.</p> <p>Determine from the given figures, using the correct formula. $1.8/12 \times 100 = 15\%$ unemployment. Must show percent. Working not necessary.</p>	1
No or inappropriate response	0
<p>b) Calculate the real GDP for this country in Year 2.</p> <p>Determine from the given figures, using the correct formula. $416 \times 100/104 = \\$400$ million. Must show \$ and millions. Working not necessary.</p>	1
No or inappropriate response	0
<p>c) Discuss the effects of inflation on the residents of this country.</p> <p>Provides reasons for and/or against the effects of inflation of the economy – eg: reduction in the purchasing power of money, appreciation in the value of assets, falling real incomes – especially for those on fixed incomes, falling international competitiveness, wage/price spirals, higher interest rates.</p>	3
Makes general reference to inflation with some general statements about its effects on residents.	1 – 2
No or inappropriate response.	0
<p>d) Analyse the relationship between economic growth, inflation and unemployment in this economy.</p> <p>Answer refers specifically to the data provided. Correctly interprets the data – economic growth increasing, inflation increasing, unemployment falling in Year 2 then plateauing. Refers to demand pull inflation, derived demand for labour. Correctly identifies that unemployment is not falling despite continuing economic growth indicating the presence of structural unemployment. May refer to the NAIRU.</p>	4 - 5
Answer may refer generally to the data provided. Makes general comments about economic growth, inflation, unemployment. May show some relationships between these concepts.	2 - 3
No, brief reference to one of the concepts or inappropriate response.	0 - 1

They (the Australian people) need us to put the conflict model of workplace relations that led to "Work Choices" firmly behind them – and to replace it with one built on the principles of balance, fairness and simplicity with an over-riding objective of boosting national economic productivity and prosperity.

The Hon. Julia Gillard MP

Criteria	Mark
<p>a) Distinguish between an industrial award and a collective agreement.</p> <p>Accurately defines both terms – 1 mark for each correct definition. Industrial award – legal document setting out the set of minimum wages and working conditions for employees in an industry, job classification or type of work performed. Centrally administered. Collective agreement – agreement made by negotiation between employees (or their union) and employers over pay and work conditions in a place or work, group of workplaces or industry. Exist in addition to the award and are renegotiated periodically.</p>	1 - 2
No or inappropriate response	0
<p>b) Explain the process enterprise bargaining in wage determination.</p> <p>Response displays an understanding of the enterprise bargaining process – the negotiation between employers, employees and their union representation over pay and working conditions. Refers to the creation of collective agreements, or over award agreements.</p>	3
Brief description of enterprise bargaining	1 - 2
No or inappropriate response	0
<p>c) Assess the economic effects of labour market deregulation on the Australian economy.</p> <p>Makes a judgement about the effects of labour market deregulation on the Australian economy. Response may include - Positive effects such as – higher productivity growth, reduced industrial disputation, increased international competitiveness, more flexible work conditions, better worker morale. Negative effects could include – increased casualisation of the workforce, an uneven growth of incomes between organised and disorganised labour (unionised v non-unionised),</p>	4 - 5
General description of labour market reform policies, may make some attempt at judgement of their effectiveness.	2 - 3
No or inappropriate response	0 - 1

Question 25

Explain the current policy mix being implemented to achieve Australia's economic objectives.

Syllabus Outcomes tested – H1, H2, H3, H5, H6, H7, H8, H9, H10

Required knowledge, understanding and skills	Mark
<ul style="list-style-type: none"> Clearly states the objectives of economic management in Australia. Provides why and how both macroeconomic and microeconomic policies are being used to achieve economic objectives in Australia. Response identifies conflicts in achieving all economic objectives and the need for a policy mix to prioritise or address all objectives simultaneously Incorporates stimulus material effectively into the response Confidently and concisely applies economic terms, concepts, relationships and theory Presents a sustained, logical and well structured response 	17 – 20
<ul style="list-style-type: none"> Refers to the objectives of economic management in Australia. Provides why and how macroeconomic and/or microeconomic policies are being used to achieve economic objectives in Australia. General reference to the need for a policy mix Incorporates some stimulus material into the response Applies some economic terms, concepts, relationships and theory Presents a well structured response 	13 – 16
<ul style="list-style-type: none"> Refers to some objectives of economic management in Australia. Makes general statements about macroeconomic and/or microeconomic policy being used to achieve economic objectives in Australia. Incorporates little stimulus material into the response Applies some economic terms, concepts, relationships and theory Presents a structured response 	9 – 12
<ul style="list-style-type: none"> Makes general statements about macroeconomic and/or microeconomic policy Incorporates little stimulus material into the response Applies some economic terms, concepts, relationships and theory Presents a limited response 	5 – 8
<ul style="list-style-type: none"> Makes reference to economic policy Incorporate no stimulus material into response Presents a disjointed and limited response 	1 – 4
	/20

Possible content could include –

- Statements of the objectives of economic management
- Description and explanation of the operation of demand (macro) and supply (micro) policies
- Relate policy options to economic objectives
- Detailed outline of recent policy settings – facts and data to support answer from recent Budget, stimulus packages, monetary policy settings, micro reform agendas
- The use of diagrams, theory and relationships to demonstrate understanding of policy operation and conflicts
- Explanations of policy conflicts and the difficulty in reaching all economic objectives simultaneously
- Time lags for policy implementation and effects
- Limitations of demand management and the need for a policy mix.

Question 26

Explain the role of microeconomic reform in assisting Australia to reach its economic objectives.

Syllabus Outcomes tested – H1, H2, H3, H5, H7, H8, H9, H10

Required knowledge, understanding and skills	Mark
<ul style="list-style-type: none"> Clearly states the objectives of economic management Provides why and how microeconomic reform can increase aggregate supply and achieving greater efficiency in the economy. Relates microeconomic policy to reallocation of resources and redistribution of income Supports answer with examples of microeconomic reform in Australia Incorporates stimulus material effectively into the response Confidently and concisely applies economic terms, concepts, relationships and theory Presents a sustained, logical and well structured response 	17 – 20
<ul style="list-style-type: none"> Makes reference to the objectives of economic management Makes informed statements about microeconomic policy, aggregate supply and efficiency in the economy. May refer to reallocation of resources and redistribution of income. Supports answer with some examples of microeconomic reform in Australia Incorporates some stimulus material into the response Applies some economic terms, concepts, relationships and theory Presents a well structured response 	13 - 16
<ul style="list-style-type: none"> Makes some reference to the objectives of economic management Makes general statements about microeconomic policy, aggregate supply and efficiency in the economy. Incorporates little stimulus material into the response Applies some economic terms, concepts, relationships and theory Presents a structured response 	9 – 12
<ul style="list-style-type: none"> Makes brief reference to microeconomic policy Incorporates little stimulus material into the response Applies some economic terms, concepts, relationships and theory Presents a limited response 	5 – 8
<ul style="list-style-type: none"> Makes reference to economic policy Incorporate no stimulus material into response Presents a disjointed and limited response 	1 - 4
	/20

Possible content could include –

- An outline of microeconomic policy as supply side management
- Clear understanding of the operation of the price mechanism and the redistribution of income and reallocation of resources brought about by microeconomic policy
- Definition of technical, allocative and dynamic efficiency and their relation to microeconomic reform policies
- A range of current and recent microeconomic polices used by the Australian economy
- Time frames/time lags for microeconomic reforms
- The importance of low inflationary growth
- The contribution of micro policies to the policy mix for economic management

QUESTION 27 –

Outline the main methods of protection that have been used in Australia and analyse the reasons for government policies to reduce protection and promote free trade.

Syllabus outcomes tested: H1, H2, H3, H6, H7, H8, H10

Required knowledge, understanding and skills	Mark
<ul style="list-style-type: none"> • Sketches in general terms the main methods of protection used in Australia • Draws out and relates in detail the reasons for government policies to reduce protection and promote free trade. • Statements are well supported by economic data • Confidently and concisely applies economic terms, concepts, relationships and theory • Presents a sustained, logical and well structured response 	17 – 20
<ul style="list-style-type: none"> • Sketches in general terms some of the methods of protection used in Australia • Draws out and relates reasons for government policies to reduce protection and promote free trade. • Statements are supported by some economic data • Applies economic terms, concepts, relationships and theory • Presents a well structured response 	13 - 16
<ul style="list-style-type: none"> • Sketches in general terms some of the methods of protection used in Australia • Makes general statements about policies to reduce protection and promote free trade. • Statements are supported by some economic data • Applies some economic terms, concepts, relationships and theory • Presents a structured response 	9 - 12
<ul style="list-style-type: none"> • Makes some reference to the methods of protection used in Australia • May refer to policies to reduce protection and promote free trade. • Statements are supported by little economic data • Applies little economic terms, concepts, relationships and theory • Presents a limited response 	5 - 8
<ul style="list-style-type: none"> • Makes some reference to the methods of protection used in Australia • Statements are not supported by economic data • Applies no economic terms, concepts, relationships and theory • Presents a disjointed and inadequate response 	1 - 4
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Possible content could include –

- Description of the methods of protection used in Australia – tariffs, subsidies, quotas, local content rules, embargoes (noting the seldom use of subsidies)
- Use of diagrams, theory and relationships to demonstrate understanding of forms of protection
- Arguments for protection articulated – protection of employment, infant industries, protection from dumping, improved balance of payments outcomes, improvements of terms of trade, self sufficiency.
- The effects of protection on the Australian economy
- Arguments for free trade – specialisation, comparative advantage, increased productivity, increased competitiveness, better resource allocation – allocative, dynamic and technical efficiencies, greater consumer choice, long term employment and economic growth
- Reference to Australia unilateral, bilateral and multilateral initiatives to promote free trade
- Reference to the stance that other countries are taking towards protection and its effects

QUESTION 28 –

Outline the main features of globalisation and assess the effectiveness of international organisations and global trade agreements in promoting free trade.

Syllabus outcomes tested: H1, H3, H4, H6, H7, H8, H9, H10

Required knowledge, understanding and skills	Mark
<ul style="list-style-type: none"> • Clearly indicates the main features of globalisation • Identifies numerous international organisations and trade agreements and makes an informed judgement on the extent to whether they have promoted free trade. • Response supported by examples of international organisations and trading blocs • Statements well supported by economic data • Confidently and concisely applies economic terms, concepts, relationships and theory • Presents a sustained, logical and well structured response 	17 – 20
<ul style="list-style-type: none"> • Indicates the main features of globalisation • Identifies some international organisations and trade agreements and makes a simplistic judgement on the extent to whether they have promoted free trade. • Response supported by some examples • Statements are supported by some economic data • Applies economic terms, concepts, relationships and theory • Presents a well structured response 	13 - 16
<ul style="list-style-type: none"> • Indicates some of the main features of globalisation • Identifies international organisations and/or trading agreements and makes general statements about free trade. • Response may make reference to international organisations and/or trading agreements • Statements are supported by some economic data • Applies some economic terms, concepts, relationships and theory • Presents a structured response 	9 - 12
<ul style="list-style-type: none"> • Brief reference to some features of globalisation • Identifies international organisations and/or trading agreements • Statements are supported by little economic data • Applies little economic terms, concepts, relationships and theory • Presents a limited response 	5 - 8
<ul style="list-style-type: none"> • Makes general statements about globalisation • Refers briefly to free trade • Statements are not supported by economic data • Applies no economic terms, concepts, relationships and theory • Presents a disjointed and inadequate response 	1 - 4
	/20

Possible content could include –

- Main features of globalisation – global movements of pools and services, investment and finance, labour, presence of multinational companies
- Outline of global organisations – WTO, World Bank, IMF, and their functions
- Outline of trade agreements (and blocs) – bilateral, regional, multinational (CERTA, ASEAN, APEC, NAFTA)
- Criteria for effectiveness – market access, resource allocation, efficiency, economic growth
- Benefits of free trade explained
- Explanation of the stance and effects of other countries in terms of free trade and protection – EU, US. In particular the difficulty of developing nations to access global markets, operation of the Cairns Group.