

Section I

20 marks

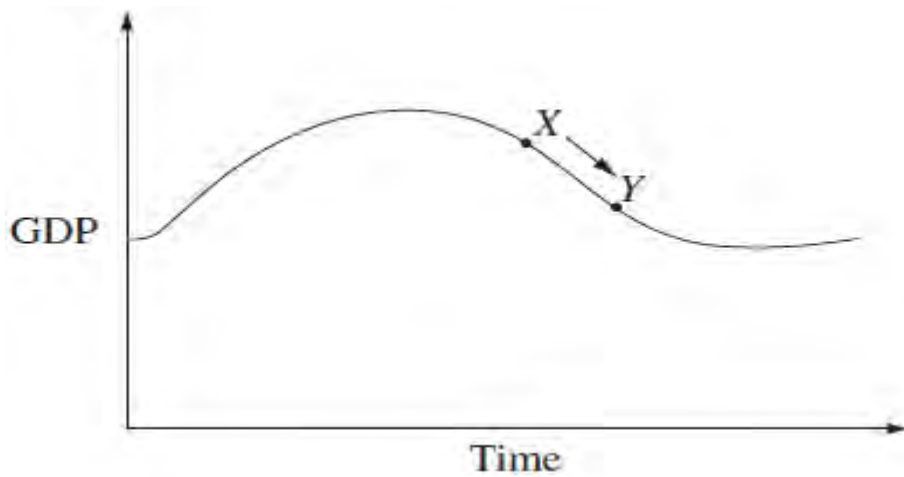
Attempt Questions 1–20

Use the multiple-choice answer sheet for Questions 1–20

- 1 Which of the following best characterises a developing economy?
- (A) High HDI and low levels of labour productivity, industrialisation, technological innovation and infrastructure development
 - (B) Low levels of income inequality and reliance on foreign aid and development assistance as a major source of income
 - (C) Low levels of income and high dependence on agricultural production for income, employment and trade opportunities
 - (D) Political and economic stability and low prevalence of corruption
- 2 Which of the following statements is true regarding macroeconomic policies?
- (A) Monetary policy has a blunt effect and a shorter impact lag compared to fiscal policy
 - (B) Monetary policy is more effective at constraining the economy than expanding it
 - (C) Fiscal policy has a longer impact lag but a shorter implementation lag compared to monetary policy
 - (D) In the current macroeconomic policy mix, fiscal policy plays a more dominant role than monetary policy

- 3 What is the difference between the role of IMF and the role of the World Bank?
- (A) The IMF promotes global financial stability whilst the World Bank promotes global economic development
 - (B) The IMF provides advice to countries about fiscal policies whilst the World Bank provides financial stability
 - (C) The IMF provides structural adjustment policies and the World Bank provides financial stability
 - (D) The IMF provides monetary policy advice whilst the World Bank promotes free trade in the global economy

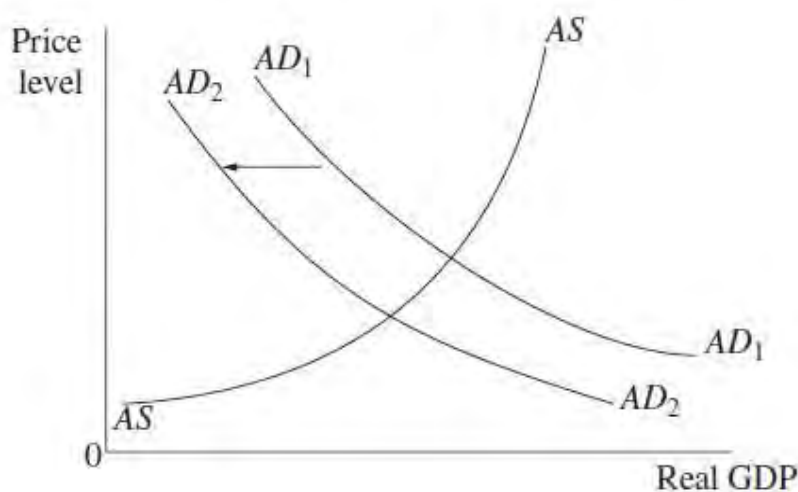
4. The following graph shows a business cycle for the Australian economy.



What combination of policies would move the economy from X to Y?

Answer	Taxation	Cash Rate	Government Spending
A	Rise	Fall	Fall
B	Fall	Fall	Rise
C	Fall	Rise	Rise
D	Rise	Rise	Fall

- 5 An appreciating Australian dollar is most likely caused by:
- (A) A decrease in the gap between the RBA's cash rate and the interest rate(s) set by overseas central banks
 - (B) An increase in foreign direct investment from Australian firms to foreign countries
 - (C) An improvement in the international competitiveness of Australia's exporters
 - (D) A deterioration in Australia's terms of trade over a period of time
- 6 The following diagram shows aggregate demand and aggregate supply curves for an economy.



Which of the following is most likely to cause the shift to the left in the aggregate demand curve from AD1 to AD2?

- (A) An increase in business investment
 - (B) A decrease in general prices in the economy
 - (C) An increase in the Average Propensity to Save (APS)
 - (D) An decrease in the multiplier from 5 to 2
- 7 If a government forecasts a small budget surplus but there is lower economic activity than expected, which of the following is likely to occur (other things being equal)?
- (A) There will be an increase in tax revenues and an increase in the budget surplus
 - (B) There will be an increase in tax revenues and a decrease in the budget surplus
 - (C) There will be a decrease in tax revenues and an increase in the budget surplus
 - (D) There will be a decrease in tax revenues and a decrease in the budget surplus

8 Which of the following statements is reflective of a more equitable distribution of income?

- (A) A decrease in the Gini-coefficient and a movement to the left of the Lorenz curve
- (B) An increase in the Gini-coefficient and a movement to the left of the Lorenz curve
- (C) A decrease in the Gini-coefficient and a movement to the right on the Lorenz curve
- (D) An increase in the Gini-coefficient and a movement to the right of the Lorenz curve

9 The following information is for a hypothetical economy:

Year	Nominal (money) GDP \$ bn	Consumer Price Index (CPI)
1	500	100
2	600	110
3	?	120

If Real GDP in Year 3 was \$800 billion, what was the value of the nominal (money) GDP and the rate of inflation for Year 3?

- (A) \$667 billion and 10%
- (B) \$667 billion and 9.1%
- (C) \$960 billion and 10%
- (D) \$960 billion and 9.1%

10 In a 3 sector economy, which of the following combinations is possible?

Answer	Marginal Propensity to Save (MPS)	Marginal Propensity to Consume (MPC)	Multiplier (K)
A	0.5	0.5	1
B	0.3	0.7	1.43
C	0.2	0.6	5
D	0.1	0.9	10

- 11 The table below displays selected data for an economy:

Balance of Payment Items	\$ Billions
Exports	500
Imports	540
Net Services	-70
Net Primary Income	-115
Net Secondary Income	85
Capital Account	35
Reserve Assets	-15

Assuming a flexible (floating) exchange rate, which statement is correct for this economy?

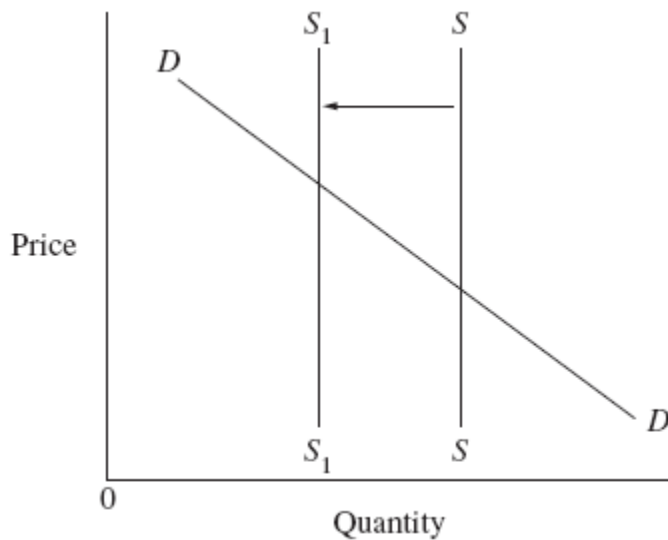
- (A) There is a surplus to \$110 billion on the balance of goods and services
 - (B) There is a surplus of \$140 billion on the capital and financial account
 - (C) There is a deficit of \$120 billion on the current account
 - (D) There is a deficit of \$35 billion on the capital account
- 12 The following information is for a hypothetical economy:

Marginal Propensity to Save (MPS)	Increase in Government Spending
0.25	\$25 billion

Based on the above information, what will be the resultant increase in National Income for the economy?

- (A) \$100 billion
 - (B) \$75 billion
 - (C) \$33 billion
 - (D) \$125 billion
- 13 Which of the following agreements or organisations does NOT include Australia as a member?
- (A) CERTA
 - (B) G8
 - (C) WTO
 - (D) OECD

- 14 The following graph shows the change in the supply of foreign cars in the Australian market following a change in the quota for imported cars:



What are the effects of a movement in the supply curve from S to S₁?

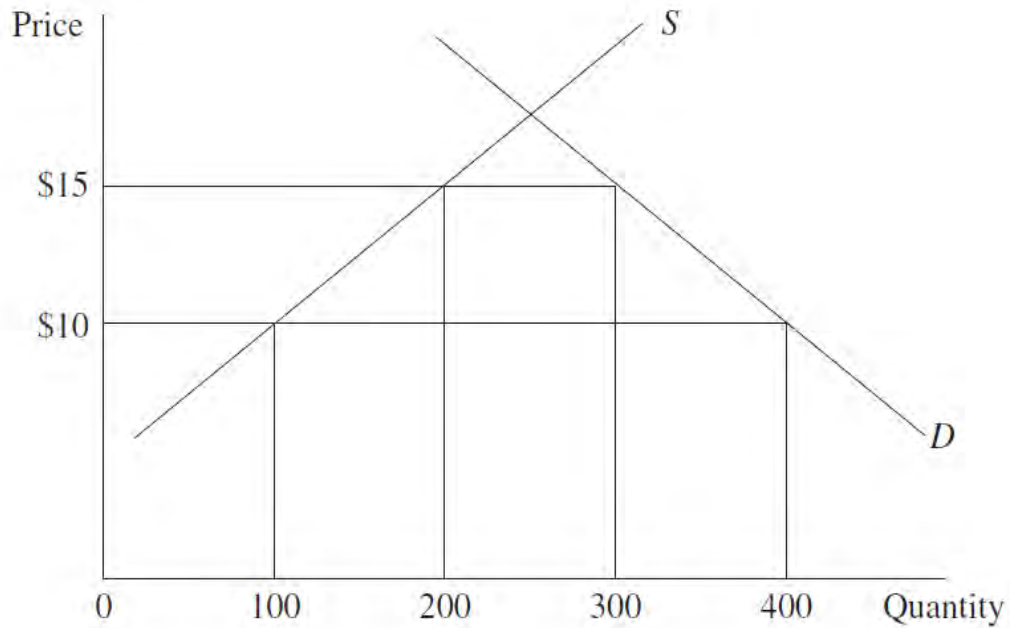
- (A) The level of protection has increased and local car producers face more competition
 - (B) The level of protection has decreased and local car producers face less competition
 - (C) The level of protection has decreased and local car producers face more competition
 - (D) The level of protection has increased and local car producers face less competition
- 15 Which of the following is likely to reduce hidden unemployment?
- (A) An increase in consumer and business confidence
 - (B) A decrease in the Average Propensity to Consume (APC)
 - (C) An increase in the level of frictional unemployment
 - (D) An increase in the level of cyclical unemployment

- 16** An Australian business buys \$1 million worth of shares in a company based in Canada:
Where is this transaction recorded in Australia's balance of payments?

Answer	Component	Account
A	Primary income credits	Current Account
B	Primary income debits	Financial Account
C	Portfolio credits	Current Account
D	Portfolio debits	Financial Account

- 17** Which of the following is a feature of Australia's decentralised wage determination system?
- (A) The use of minimum wage standards and greater flexibility in determining wage agreements
 - (B) The implementation of National Employment Standards and regulated wage fixing agreements
 - (C) The complete removal of government organisations in the dispute resolution process and the promotion of enterprise agreements
 - (D) Compulsory grievance procedure resolutions and individual wage agreements
- 18** If the headline rate of inflation in Australia has been under 1% for some time, what action is the RBA most likely to take, other things being equal?
- (A) Nothing as inflation is under control and therefore a neutral stance is most suitable
 - (B) Expand the economy by (indirectly) encouraging a higher exchange rate
 - (C) Adopt an expansionary stance by raising the cash rate via domestic market operations
 - (D) Buy second-hand Commonwealth Government securities from registered banks
- 19** Which of the following is NOT a major reason for differences in economic development between nations?
- (A) Factor endowments
 - (B) Level of corruption
 - (C) Levels of protection
 - (D) Population of a country

- 20 The following graph shows the effect of a tariff on the price and quantity of imported shirts.



By what amount does the revenue of foreign producers of shirts decrease as a result of the tariff?

- (A) \$500
- (B) \$1000
- (C) \$1500
- (D) \$2000

End of Section I

Student Number:

Section II

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)

Marks

(a) Distinguish between the financial flows of *debt* and *equity*.

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(b) How might changes in the value of financial flows into Australia impact the Current Account of the Balance of Payments (other things being equal)?

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Question 21 (continued)

Marks

- (c) Analyse the likely impact of a deterioration in Australia’s terms of trade on the Balance of Payments and the exchange rate. **4**

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Student Number:

Question 22 (10 marks)

Marks

(a) What is Aggregate Demand?

2

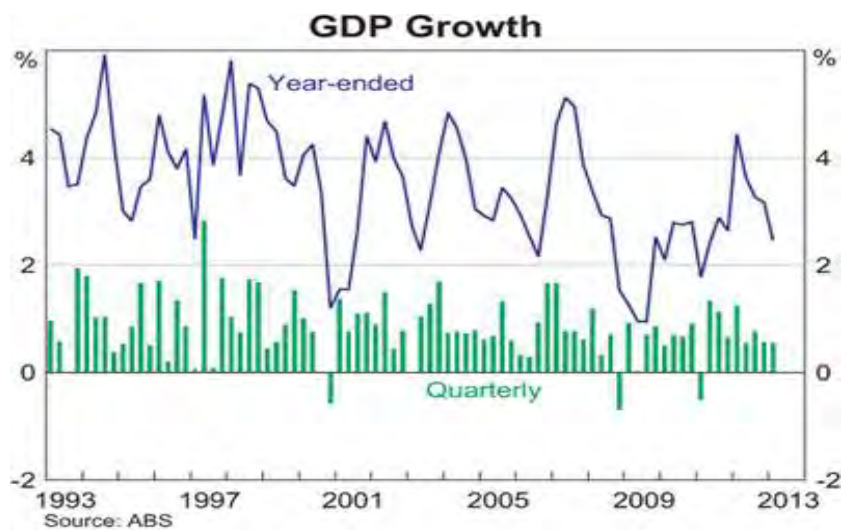
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(b) The following GDP Growth chart is for Australia:



With reference to the above graph, outline ONE source of economic growth for Australia between the Years 2000 and 2013.

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Question 22 (continued)

Marks

- (c) How might an increase in labour productivity affect employment and economic growth in Australia? 2

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- (d) Why could global influences limit the effectiveness of the Federal government's response to an economic downturn in Australia? 4

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Student Number:

Question 23 (10 marks)

Marks

(a) Distinguish between the bilateral exchange rate and the Trade Weighted Index (TWI). **2**

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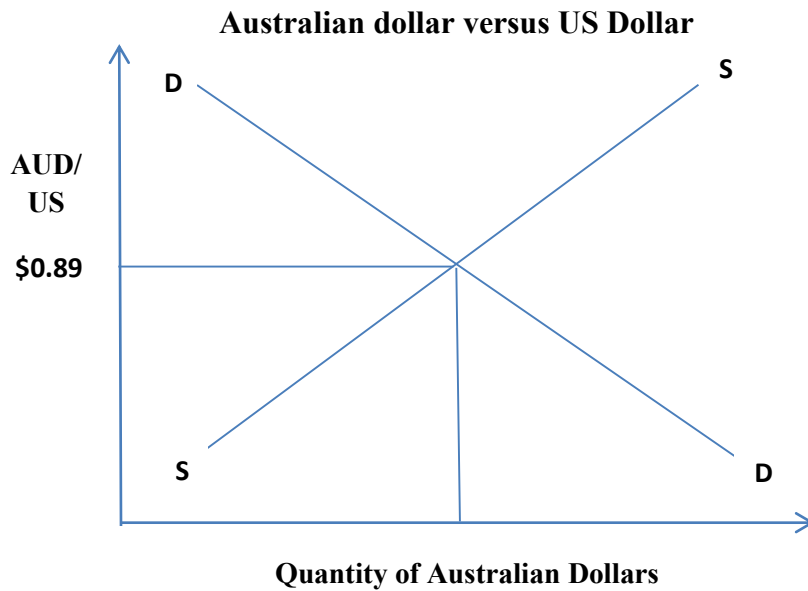
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(b) Draw the change on the diagram below showing the effect of an increased demand for American imports from Australians (assume a flexible exchange rate).

2



(c) Outline ONE positive impact and ONE negative impact of an appreciation in the Australian dollar on firms in Australia. **2**

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Question 23 (continued)

Marks

(d) To what extent can the RBA influence Australia's exchange rate?

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Student Number:

Question 24 (10 marks)

Marks

(a) Distinguish between economic growth and economic development.

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(b) Outline the role of investment and Transnational Corporations in promoting globalisation.

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(c) How might the reduction of trade barriers in the global economy help to reduce absolute poverty?

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Question 24 (continued)

Marks

(d) Explain the influence of globalisation on trade flows in ONE economy other than Australia.

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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 separate writing booklet. Extra writing booklets are available.

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

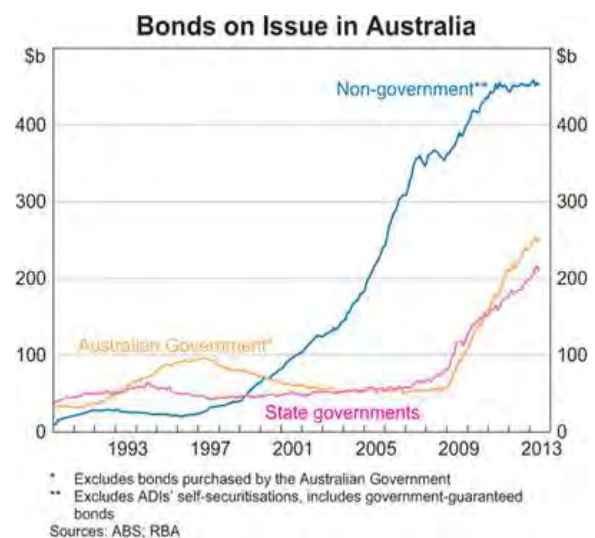
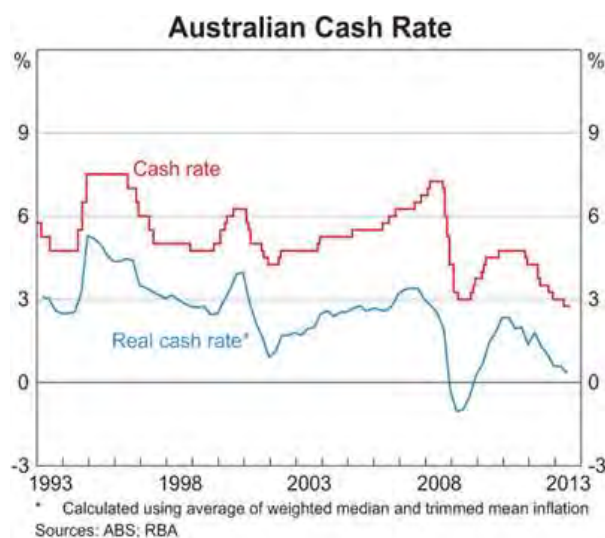
- demonstrate knowledge and understanding relevant to the question
- use the information provided
- apply relevant economic terms, concepts, relationships and theory
- present a sustained, logical and cohesive response

Question 25 (20 marks)

Evaluate the impact of macroeconomic policy responses to recent changes in the domestic economy and the global economy. In your response you must refer to the information provided.

“Whilst Australia did not experience the worst effects of the Global Financial Crisis, the macroeconomic policy responses were rapid and needed. In more recent times, we have seen the Terms of Trade reach record levels in 2011 and surging levels of mining investment. Despite this, there are concerns that as China moves from a focus on production to consumption in their economy Australia will face a difficult transition. This will require new sources of growth in Australia. The Government and RBA will play a vital role, but the budget is under immense pressure”.

Ebbeck Neilsen, Econews, 2013



Section III

OR

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

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

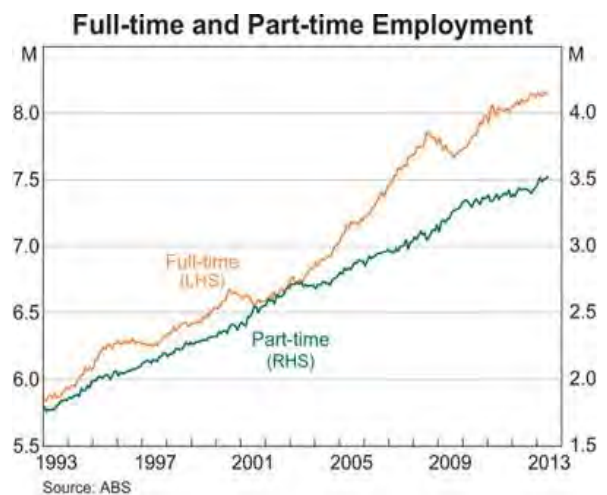
- demonstrate knowledge and understanding relevant to the question
 - use the information provided
 - apply relevant economic terms, concepts, relationships and theory
 - present a sustained, logical and cohesive response
-

Question 26 (20 marks)

Evaluate the impact of the Federal Government's microeconomic policies on Australia's labour market and external stability. In your response you must refer to the information provided.

“Australia's external stability has not gained much attention in the Federal Government's Budget papers in the last 10-15 years. Despite this, increasing both Australia's low levels of national savings and moderate levels of international competitiveness have been major areas of structural focus for policy makers in recent decades. Certainly, the Global Financial Crisis highlighted the issue of Australia's high levels of Net Foreign Liabilities and the potential for external shocks”.

Ebbeck Neilsen, Econews, 2012



Section IV

20 marks

Attempt 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:

- demonstrate knowledge and understanding relevant to the question
 - apply relevant economic information, terms, concepts, relationships and theory
 - present a sustained, logical and cohesive response
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Question 27 (20 marks)

With respect to Australia's place in the global economy, discuss the issues associated with achieving the Federal Government's goal of ecologically sustainable development.

OR

Question 28 (20 marks)

Discuss the influence of international organisations and contemporary trading bloc agreements on the process of economic development in the global economy.

End of Paper



Trial Examination Marking Criteria 2013

HSC Economics

Section I – Multiple Choice

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

Student Number

Section II

Question 21

(a) Distinguish between the financial flows of *debt* and *equity*.

Marking Criteria	Marks
Clearly makes evident the distinction between the financial flows of debt and equity	2
Basic distinction between the financial flows of debt and equity	1

Answers could include:

- Debt refers to a (financial) flow of funds across international borders, involving either the lending or borrowing of funds. This could be in the form of debt securities, such as government bonds OR cash loans. Debt has a servicing cost of interest.
- Whereas, equity refers to the flow of funds across international borders in order to secure part ownership of a private organisation. This could be in the form of foreign portfolio investment or certain types of foreign direct investment. Equity has a servicing cost of profits and dividends.

(b) How might changes in the value of financial flows into Australia impact the Current Account of the Balance of Payments (other things being equal)?

Marking Criteria	Marks
Provides a clear understanding of <u>how (process)</u> changes in the values of financial flows into Australia might impact the Current Account of the Balance of Payments (other things being equal)	4
Provides a sound understanding of <u>how (process)</u>	3
Provides a basic understanding of <u>how (process)</u>	2
Provides a limited understanding of <u>how (process)</u>	1

Answers could include:

- Increased financial flows in to Australia will be recorded as credits in the financial account, most likely as FDI or FPI. Ceteris paribus, this will lead to an increased Capital and Financial Account surplus and higher Net Foreign Liabilities. As a result, there will be increased servicing costs in the form of interest repayments, profit and dividends. These outflows will be recorded as debits in the primary income account in the current account, leading to an increased net primary account deficit. The converse is true for a decrease.
- Additionally, an increased inflow of FPI could lead to the enhanced productive capacity of domestic firms via capital formation and increased labour utilisation. This may lead to an Australian firm being able to exploit their comparative advantage in the production of goods and/or services, for example mining, and develop economies of scale. Consequently, this could lead to increased international competitiveness and higher export volumes (with the excess savings of foreigners being used domestically). This may ultimately lead to a reduced BOGS deficit and/or an increased BOGS surplus.

(c) Analyse the likely impact of a deterioration in Australia's terms of trade on the Balance of Payments and the exchange rate.

Marking Criteria	Marks
Displays a clear understanding of the likely relationship between a deterioration in Australia's terms of trade and the Balance of Payments and the exchange rate, with associated implications	4
Displays a sound understanding of the likely relationship between a deterioration in Australia's terms of trade and the Balance of Payments and the exchange rate, with associated implications OR Displays a clear understanding of the likely relationship, with little or no associated implications	3
Displays a basic understanding, with associated implications OR Displays a sound understanding, with little or no associated implications	2
Provides a limited understanding, with little to not associated implications OR Provides a clear outline	1

Answers could include:

A deterioration in the terms of trade may cause, *ceteris paribus*, decreased export income and increased import expenditure. This will lead to an increase in the BOGs deficit or a reduction in the BOGs surplus on the Current Account of the Balance of Payments. Consequently, there will be a depreciation of the Australian dollar as there will be lower demand for the Australian dollar and increased supply of Australian dollars. Further, investor sentiment may become more negative which could lead to capital flight and a lower Australian dollar. As a result of the higher BOGs deficit, this may lead to an increase in the Current Account Deficit, with more funds required to finance this deficit. This will lead to higher financial inflows and an accumulation of net foreign liabilities (with associated exchange rate effects).

Question 22

(a) What is Aggregate Demand?

Marking Criteria	Marks
Provides a clear and accurate definition of Aggregate Demand	2
Provides a limited definition of Aggregate Demand	1

Answers could include:

Aggregate demand refers to total spending in the economy from all sectors, including households, firms, government, financial sector and the overseas sectors.

The equation for $AD = C + I + G + (X-M)$

(b) With reference to the above graph, outline ONE source of economic growth for Australia between the Years 2000 and 2013.

Marking Criteria	Marks
Clearly sketches in general terms of ONE source of economic growth for Australia, with reference to the graph	2
Basic sketch in general terms of ONE source of economic growth for Australia, with reference to the graph	1

Answers could include:

- Lower interest rates
- Mining investment and exporting boom
- Increased consumer spending

N.B. The above sources need associated time frames

(c) How might an increase in labour productivity affect employment and economic growth in Australia?

Marking Criteria	Marks
Provides a clear understanding of <u>how (process)</u> an increase in labour productivity might affect employment and economic growth in Australia	2
Provides a basic understanding of <u>how (process)</u> an increase in labour productivity might affect employment and economic growth in Australia OR Provides a clear understanding of <u>how (process)</u> an increase in labour productivity might affect EITHER employment or economic growth in Australia	1

Answers could include:

- Increases in labour productivity, in the short term, may lead to little to no employment growth as the increased output can be achieved with the same quantity of labour resources.
- In the longer term, the more efficient use of resources will lead to both an increase in output and the increased the demand for labour/employment growth.

(d) Why could global influences limit the effectiveness of the Federal government's response to an economic downturn in Australia?

Marking Criteria	Marks
Provides a clear understanding of <u>why (reasons)</u> global influences might limit the effectiveness of the Federal government's response to an economic downturn in Australia	4
Provides a sound understanding of <u>why (reasons)</u>	3
Provides a basic understanding of <u>why (reasons)</u>	2
Provides a limited understanding of <u>why (reasons)</u>	1

Answers could include:

Global influences, including a downturn in the regional and/or international business cycles, will impact the capacity of the Federal Government's macroeconomic policies to increase economic activity in Australia. In an integrated global economy, investor and consumer sentiment is largely affected by global events, including a downturn in Australia's major trading partners. In this way, expansionary fiscal policy and loose monetary policy may be overshadowed by a decline in export income and the reduction in consumption and business investment in the domestic economy.

Student Number:

Question 23 (10 marks)

(a) Distinguish between the bilateral exchange rate and the Trade Weighted Index (TWI).

Marking Criteria	Marks
Clearly makes evident the distinction the bilateral exchange rate and the TWI	2
Basic distinction between the bilateral exchange rate and the TWI	1

Answers must include:

The bilateral exchange rate refers to the price of one currency in terms of another, whereas the Trade Weighted Index (TWI) is a weighted basket of the currencies of Australia's main trading partners.

(b) Draw the change on the diagram below showing the effect of an increased demand for American imports from Australians (assume a flexible exchange rate).

Marking Criteria	Marks
Accurately draws the effect of an increased demand for American imports from Australians on the diagram by showing a shift to the right in the supply curve.	2
Incorrectly draws a new supply curve	0

N.B. Students will either receive 2 marks or 0 marks.

(c) Outline ONE positive impact and ONE negative impact of an appreciation in the Australian dollar on firms in Australia.

Marking Criteria	Marks
A clear sketch in general terms of ONE positive impact and ONE negative impact	2
A basic sketch in general terms of ONE positive impact and ONE negative impact OR A clear sketch in general terms of ONE positive or negative impact AND an incorrect response for the other impact	1

Answers could include:

- Positive impacts: Higher purchasing power, lower costs of capital goods, valuation effect, lower imported inflation.
- Negative impacts: Decreased international competitiveness of exporting firms and import-competing firms, worsening of BOGs deficit, increased imports.

(d) To what extent can the RBA influence Australia's exchange rate?

Marking Criteria	Marks
Provides a clear judgement as to the extent the RBA can influence Australia's exchange rate	4
Provides a sound judgement	3
Provides a basic judgement	2
Provides a limited judgement	1

Answers could include:

- The RBA can intervene in the FOREX market in 2 main ways: direct intervention (using reserves of foreign currency and gold to buy and sell Australian dollars) and indirect intervention (targeting the Official Cash Rate by using Domestic Market Operations).
- The RBA is limited in using the first option due to the size of the global FOREX market, which has a daily turnover of approximately \$3-4 US trillion per day. Hence, the relatively small reserves that the RBA holds will have little impact on the value of the Australian dollar. Nonetheless, the RBA has intervened a number of times in the last decade to avoid overshooting (e.g. GFC).
- The second option is a more realistic option to influence the exchange rate, yet until recently has not been used to target a desired exchange rate. The interest rate differential can significantly impact the flow of funds in to and out of Australia, therefore leading to an appreciation or depreciation in the value of the dollar. This option can have a large impact on the value of the currency.

Student Number:

Question 24 (10 marks)

(a) Distinguish between economic growth and economic development.

Marking Criteria	Marks
Clearly makes evident the distinction between economic growth and economic development	2
Basic distinction between the economic growth and economic development	1

Answers could include:

Economic growth refers to the increased production of goods and services in an economy over a period of time, whereas economic development refers to the structural changes that occur in an economy as countries move through the industrialisation process. That is, alterations in the patterns of production, consumption and employment.

(b) Outline the role of investment and Transnational Corporations in promoting globalisation.

Marking Criteria	Marks
A clear sketch in general terms of the role of investment and TNCs in promoting globalisation	2
A basic sketch in general terms of the role of investment and TNCs in promoting globalisation	1

Answers could include:

TNCs make contributions to developing a global production web, technology transfers and job creation. FDI, via TNCs, can provide the funds and expertise needed for developing nations to exploit their comparative advantages, leading to increased export capacity and integration into the global economy.

- (c) How might the reduction of trade barriers in the global economy help to reduce absolute poverty?

Marking Criteria	Marks
Provides a clear understanding of <u>how (process)</u> a reduction of trade barriers in the global economy might help to reduce absolute poverty	2
Provides a basic understanding of <u>how (process)</u>	1

Answers could include:

A move towards free trade will allow countries to specialise in the goods and services in which they have a comparative advantage, leading to economies of scale and greater output. Developing nations should be able to increase their export volumes and income, leading to injections into their economy. As a result, this income could help to increase living standards, including via government expenditure on health and education, and reduce absolute poverty (which refers to those people earning less than US\$1.25 per day).

N.B. Could use actual figures on reductions on absolute poverty.

- (d) Explain the influence of globalisation on trade flows in ONE economy other than Australia.

Marking Criteria	Marks
Provides a clear cause-effect (how/why) of the influence of globalisation on trade flows in ONE economy other than Australia	4
Provides a sound cause-effect (how/why)	3
Provides a basic cause-effect (how/why) OR Provides a clear sketch in general terms	2
Provides a limited cause-effect (how/why) OR Provides a sound sketch in general terms	1

Answers could include:

ONE economy other than Australia and the influence of globalisation (including key features or drivers of globalisation) on trade in the country (must include the steps by which trade changes take place in the selected economy).

N.B. Examples and statistics are required to develop a top band response.

Section III - Question 25 (20 marks)

Student Number

Evaluate the impact of macroeconomic policy responses to recent changes in the domestic economy and the global economy. In your response you must refer to the information provided.

Marking Criteria	Marks
<ul style="list-style-type: none">• 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• Provides a clear, thorough and balanced judgement of the impact of macroeconomic policy responses to recent changes in the domestic economy and the global economy	17-20
<ul style="list-style-type: none">• Synthesises own knowledge and understanding with information provided to develop a logical and cohesive response• Integrates relevant economic terms, concepts, relationships and theory• Provides a clear judgement of the impact of macroeconomic policy responses to recent changes in the domestic economy and the global economy	13-16
<ul style="list-style-type: none">• Uses own knowledge and understanding with information provided to develop a coherent response• Applies economic terms, concepts and relationships• Provides a basic judgement of the impact of macroeconomic policy responses to recent changes in the domestic economy and the global economy	9-12
<ul style="list-style-type: none">• Uses information to develop a generalised response• Uses some economic terms, concepts and relationships• Provides a limited judgement of the impact of macroeconomic policy responses to recent changes in the domestic economy and the global economy	5-8
<ul style="list-style-type: none">• Presents a limited response• Uses some economic terms and/or concepts• Lists any aspects of the impact of macroeconomic policy responses to recent changes in the domestic economy and the global economy.	1-4

Feedback

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Answers could include:

- Clear judgement(s)
- Definition of macroeconomic policy
- A consideration of the macroeconomic policy responses (monetary policy and fiscal policy)
- Recent examples of monetary and fiscal stances
- Recent changes in the domestic and global economies
- Focus on transmission mechanism of policy mix
- Limitations of macro policies (e.g. global, time lags, political, budgetary)

Section III - Question 26 (20 marks)

Student Number

Evaluate the impact of the Federal Government’s microeconomic policies on Australia’s labour market and external stability.

Marking Criteria	Marks
<ul style="list-style-type: none"> • 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 • Provides a clear, thorough and balanced judgement of the impact of the Federal Government’s microeconomic policies on Australia’s labour market and external stability. 	17-20
<ul style="list-style-type: none"> • Synthesises own knowledge and understanding with information provided to develop a logical and cohesive response • Integrates relevant economic terms, concepts, relationships and theory • Provides a clear judgement of the impact of the Federal Government’s microeconomic policies on Australia’s labour market and external stability. 	13-16
<ul style="list-style-type: none"> • Uses own knowledge and understanding with information provided to develop a coherent response • Applies economic terms, concepts and relationships • Provides a basic judgement of the impact of the Federal Government’s microeconomic policies on Australia’s labour market and external stability. 	9-12
<ul style="list-style-type: none"> • Uses information to develop a generalised response • Uses some economic terms, concepts and relationships • Provides a limited judgement of the impact of the Federal Government’s microeconomic policies on Australia’s labour market and external stability. 	5-8
<ul style="list-style-type: none"> • Presents a limited response • Uses some economic terms and/or concepts • Lists any aspects of the impact of the Federal Government’s microeconomic policies on Australia’s labour market and external stability 	1-4

Feedback

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Answers could include:

- Clear judgement(s)
- Definition of microeconomic policy/labour market and external stability
- Relevant micro policies for labour markets and external stability (e.g. trade liberalisation, National Competition policy etc.)
- Impact of policies on labour markets (e.g. increased labour productivity in the 1990s)
- Impact of policies on external stability (e.g. international competitiveness, balance of payments, exchange rates etc.)

Section IV - Question 27 (20 marks)

With respect to Australia's place in the global economy, discuss the issues associated with achieving the Federal Government's goal of ecologically sustainable development.

Marking Criteria	Marks
<ul style="list-style-type: none">• Extensive integration of relevant economic terms, concepts, relationships and theories• Integrates comprehensive economic information to produce a sustained, logical and cohesive response• Provides a clear understanding of the points for and/or against the issues associated with achieving the Federal Government's goal of ecologically sustainable development (with respect to Australia's place in the global economy)	17-20
<ul style="list-style-type: none">• Integrates relevant economic terms, concepts, relationships and theories• Uses economic information to produce a logical and cohesive response• Provides a sound understanding of the points for and/or against the issues associated with achieving the Federal Government's goal of ecologically sustainable development (with respect to Australia's place in the global economy)	13-16
<ul style="list-style-type: none">• Applies economic terms, concepts and relationships• Uses some economic information to produce a coherent response• Provides a basic understanding, with or without the context of Australia's place in the global economy	9-12
<ul style="list-style-type: none">• Uses some economic terms, concepts and relationships• Uses little economic information to produce a generalised response• Provides a limited understanding	5-8
<ul style="list-style-type: none">• Presents a limited response• Uses some economic terms and/or concepts• Lists any aspects of the points for and/or against the issues associated with achieving the Federal Government's goal of ecologically sustainable development	1-4

Feedback:

Answers could include:

Issues (controlling ideas) for discussion could include: Market failure (private/social costs, externalities); Environmental issues (climate change, pollution, depletion of resources); Carbon tax (benefits/issues); Carbon reduction targets (Kyoto, Climate Change Authority); Emission Trading Schemes (benefits/issues); International competitiveness (inflation, AUD); Balance of Payments (trade flows/financial flows including FDI); Conflicting economic objectives (economic growth, inflation, unemployment, distribution of income and wealth); Limitations of economic policies (time lags, political constraints, global influences)

Section IV - Question 28 (20 marks)

Discuss the influence of international organisations and contemporary trading bloc agreements on the process of economic development in the global economy.

Marking Criteria	Marks
<ul style="list-style-type: none">• Extensive integration of relevant economic terms, concepts, relationships and theories• Integrates comprehensive economic information to produce a sustained, logical and cohesive response• Provides a clear understanding of the points for and/or against the influence of international organisations and contemporary trading bloc agreements on the process of economic development in the global economy	17-20
<ul style="list-style-type: none">• Integrates relevant economic terms, concepts, relationships and theories• Uses economic information to produce a logical and cohesive response• Provides a sound understanding of the points for and/or against the influence of international organisations and contemporary trading bloc agreements on the process of economic development in the global economy	13-16
<ul style="list-style-type: none">• Applies economic terms, concepts and relationships• Uses some economic information to produce a coherent response• Provides a basic understanding of the influence of international organisations and contemporary trading bloc agreements on the process of economic development in the global economy	9-12
<ul style="list-style-type: none">• Uses some economic terms, concepts and relationships• Uses little economic information to produce a generalised response• Provides a limited understanding of the influence of international organisations and contemporary trading bloc agreements on the process of economic development in the global economy	5-8
<ul style="list-style-type: none">• Presents a limited response• Uses some economic terms and/or concepts• Lists any aspects of the points for and/or against the influence of international organisations and contemporary trading bloc agreements on the process of economic development in the global economy	1-4

Feedback:

Answers could include:

trading blocs (EU, APEC, NAFTA, ASEAN)

Note: Economic development refers to the process of structural change. It is a qualitative process. It involves (but is not limited to): development of infrastructure (economic and social); transformation from rural to industrial/service based society; specialisation of production; technology; increased productivity; development of human, physical and institutional capital; developing domestic demand and overseas demand (for exports) through trade; participation in the globalisation process; increased foreign investment (both portfolio and direct). Finally (and particularly important to the process of economic development) is increased savings and investment (particularly in the quantity, quality/productivity) of resources.

Therefore, discussion must focus on the process of economic development and could include (but not limited to):

- international organisations (WTO, IMF, World Bank, United Nations)
- government economic forums (G20, G7/G8)