



**St Ignatius' College
Riverview**

2015

**HSC TRIAL
EXAMINATION**

Economics

General Instructions

- Reading time – 5 minutes
- Working time – 3 hours
- Write using a blue or black pen
- Board-approved calculators may be used

Total marks - 100

Section I

20 marks

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

Section II

40 marks

- Attempt Questions 21-24
- Allow about 1 hour and 15 minutes for this section

Section III

20 marks

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

Section IV

20 marks

- Attempt Question 27 or 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 for Questions 1–20.

- 1** In a hypothetical economy the government pays purchasers of solar panels \$50 per panel.
- This policy is an example of a:
- (A) quota.
 - (B) subsidy.
 - (C) target.
 - (D) tax.
- 2** When is it advantageous for two economies to trade with one another?
- (A) When one economy has a lower exchange rate than another.
 - (B) When one economy can produce a greater quantity of products than the other economy.
 - (C) When one economy can produce one product at a lower production cost than the other economy.
 - (D) When one economy can produce one product at a lower opportunity cost than the other economy.

- 3 The table shows Balance of Payments data for a hypothetical economy with a floating exchange rate.

<i>Balance of Payments component</i>	\$ billion (\$bn)
Net Goods	-30
Net Services	10
Capital Account	10
Net Primary Income	-50
Net Secondary Income	10

What is the value of the Financial Account?

- (A) \$50bn
 (B) \$60bn
 (C) \$70bn
 (D) \$80bn
- 4 Which of the following will lead to an increase in demand for Australian dollars?
- (A) Decreased demand for imports
 (B) Increased export competitiveness
 (C) A deterioration in the current account deficit
 (D) Lower foreign direct investment inflows
- 5 The following question is based on this data for a hypothetical economy.

	Consumer Price Index
Year 1	106
Year 2	111
Year 3	118

What was the rate of inflation in year 2?

- (A) 6.3%
 (B) 9.5%
 (C) 5.2%
 (D) 4.7%

- 6 Which of the following would cause inflation in Australia?
- (A) A decrease in the budget deficit
 - (B) An increase in labour productivity
 - (C) A depreciation of the Australian dollar
 - (D) The sale of commonwealth government securities by the RBA to the banks
- 7 The economic growth rate of one of Australia's major trading partners significantly slows.

What impact might this have on the Australian economy?

- (A) Increase export receipts
 - (B) Increased demand for Australian dollars
 - (C) Increased unemployment in export firms
 - (D) Increased inflationary pressure caused by rising cost pressures on Australian firms
- 8 If annual Australian inflation was 6%, which of the following is the likely response of the RBA in relation to monetary policy and Commonwealth Government Securities (CGS)?

<i>Stance of monetary policy</i>	<i>Action by RBA</i>
(A) Loosen	Issue new CGS
(B) Tighten	Sell existing CGS
(C) Loosen	Purchase existing CGS
(D) Tighten	Purchase existing CGS

- 9 Which of the following is a negative effect on the economy as a result of increased domestic inflation?
- (A) Decreased imports
 - (B) Reduced international competitiveness
 - (C) A short term depreciation of the currency
 - (D) Increased interest rates received by depositors

10 Market failure describes the failure of the market to:

- (A) ensure that externalities exist
- (B) take into account social costs and benefits
- (C) take into account private costs and benefits
- (D) achieve an unemployment rate of the NAIRU

11 The Reserve Bank of Australia purchases \$2 billion of Australian dollars in foreign exchange markets.

Which of the following describes their action and its most likely impact on the \$AUD?

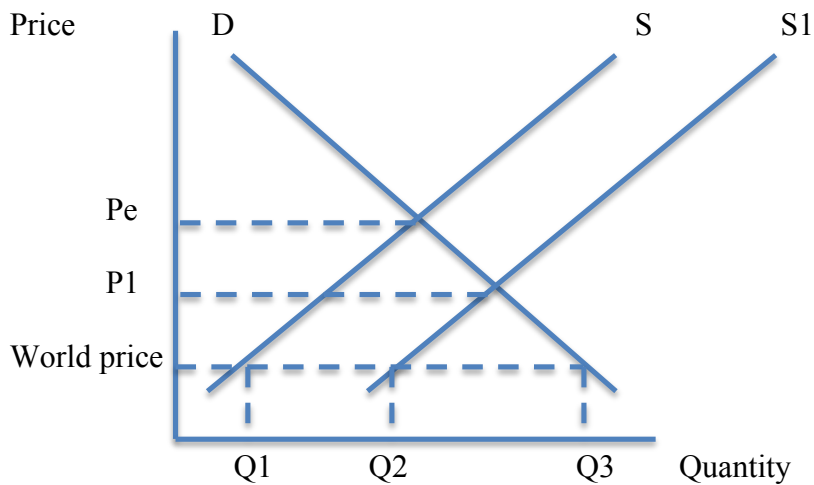
	Type of Action by RBA	Impact on \$AUD
(A)	Direct	Depreciation
(B)	Direct	Appreciation
(C)	Indirect	Depreciation
(D)	Indirect	Appreciation

12 The Trade Weighted Index moves from 75 to 70 over a period of six months.

Which of the following outcomes would be most likely in the Australian economy.

- (A) Increased export volumes and increased import prices
- (B) Decreased export prices and increased import volumes
- (C) Increased import volumes and decreased price of imported goods
- (D) Decreased price of imported goods and increased export volumes

- 13 The diagram below shows a subsidy provided in a hypothetical economy that competes against imported goods.



Which of the following statements about the impact of subsidy in this economy is correct?

- (A) The size of the subsidy is the horizontal distance between S and S1
 - (B) Domestic suppliers will increase production to Q3 after the subsidy
 - (C) Imported goods will reduce from Q3 Q1 to Q3 Q2 after the introduction of the subsidy
 - (D) Exported goods of domestic producers will increase from Q1 to Q2 after the introduction of the subsidy
- 14 An increase in government spending of \$10 billion leads to an increase in national income of \$100 billion.
What is the marginal propensity to consume?
- (A) 0.1
 - (B) 0.5
 - (C) 0.9
 - (D) 1.0
- 15 Which of the following statements about business cycles is correct?
- (A) Regional business cycles are impacted differently by global events
 - (B) There is little evidence of contagion in the international business cycle
 - (C) The international business cycle impacts all economies to the same effect
 - (D) Regional business cycles have little to do with geography

- 16** Which of the following is an implication of a depreciation of the domestic currency on the balance of payments in a hypothetical economy?

	<i>Impact on current account</i>	<i>Impact on financial account</i>
(A)	Increased deficit	Increased foreign investment debits
(B)	Net primary income debits increase	Increased foreign investment credits
(C)	Increased import volumes	Increased foreign investment debits
(D)	Net secondary income deficit increases	Increased foreign investment credits

- 17** What would be the impact on the federal budget if the Government privatized Australia Post?
- (A) The headline cash outcome would worsen.
- (B) The underlying cash outcome would improve.
- (C) The underlying cash outcome would be unaffected.
- (D) The funds could be used to ensure a budget surplus.
- 18** A move towards a national industrial relations system is considered a microeconomic reform because it:
- (A) creates cost efficiencies for employers who operate throughout the country.
- (B) ensures equity and fairness in employment conditions across state boundaries.
- (C) allows public sector workers to transfer their jobs easily across state boundaries.
- (D) allows the government to control cost push inflation through increased control over wages and salary levels.
- 19** A hypothetical economy experiences a decline in its terms of trade.
- Which of the following could be the cause of this decline?
- (A) Import prices paid rise proportionally more than export prices received.
- (B) Export prices received rise proportionally more than import prices paid.
- (C) The value of this country's exports fall relative to the value of their imports.
- (D) The volume of this country's imports rise proportionally more than their exports.
- 20** A goal of decentralised wage determination is that:

- (A) it leads to greater income equality.
- (B) it will reduce the current account deficit.
- (C) it enables increased labour productivity.
- (D) it gives the government more power in wage negotiations.

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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. These spaces provide guidance for the expected length of response.

Question 21 (10 marks)

(a) The table shows employment data for a hypothetical economy.

Population	23,800,000
Population aged 15 +	20,500,000
Part time / casual employed	3,500,000
Full Time employed	8,120,000
Hidden Unemployed	600,000
Unemployed and actively seeking work	750,000

(a) Using the data above, calculate the rate of unemployment (to 1 decimal place). **2**

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(b) Using the data above, calculate the participation rate (to 1 decimal place) **2**

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(c) Distinguish between hidden and structural unemployment. 2

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(d) Explain how expansionary fiscal policy may impact an economy currently experiencing full employment. 4

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End of Question 21

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Student Number

Section II (continued)

Question 22 (10 marks)

- (a) Describe ONE bilateral trade agreement (other than China) Australia is a signatory to. 2

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- (b) An economy has reduced protection of domestic industries. 4
- Discuss the impacts of this reduction on both domestic firms and individuals.

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Student Number

Section II (continued)

Question 23 (10 marks)

“Australia’s current account deficit and the associated capital inflows, is a good thing not a bad thing. In Australia’s case, foreign investment has helped expand Australia’s domestic productive capacity”

Guy Debelle, Assistant Governor, RBA May 2014

- (a) What is external stability? 2

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- (b) Explain how Australia’s net foreign liabilities could be smaller in value than its net foreign debt. 4

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(c) Discuss possible effects of a continuing current account deficit on an economy.

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End of Question 23

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Student Number

Section II (continued)

Question 24 (10 marks)

- (a) Using examples, outline TWO impacts on the environment of continuing world economic growth. **4**

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Question 24 continues on the next page

Section III

20 marks

Attempt either Question 25 or Question 26

Allow about 35 minutes for this section

Use the question in a 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
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Question 25 (20 marks)

Analyse the sources and effects of economic growth in the Australian economy. In your response, you should refer to the economic information provided.



SOURCE: WWW.TRADINGECONOMICS.COM | AUSTRALIAN BUREAU OF STATISTIC

Ahead of the release of official figures on Tuesday, economists predicted China will notch up a 7 per cent growth for 2014. This is the lowest it's been since 1990. You'd been forgiven for thinking the 24-year figure is ominous — after all, China is Australia's biggest trading partner and our economic fortunes are intrinsically linked to the Asian giant. Especially following the Free Trade Agreement Australia signed with China late last year, which cemented our economic relationship even deeper.

news.com.au, 20 January 2015

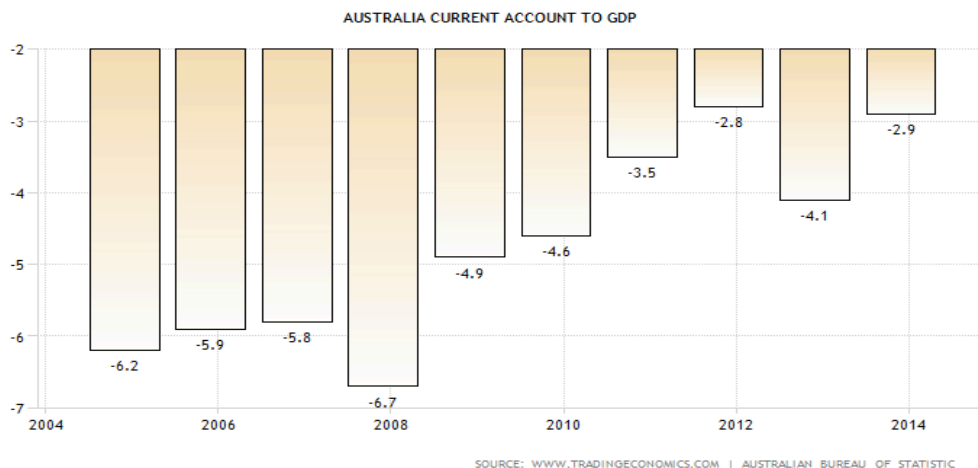
OR

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)

Analyse various trends that have impacted the size and composition of Australia's balance of payments. In your response, you should refer to the economic information provided.



Source: RBA

The extreme reliance of Australia's trade balance, economic growth and Commonwealth budget position on three major exports has led economist, and one-time advisor to former prime minister Kevin Rudd, Andrew Charlton to question, "is Australia still an advanced economy?"

Source: Michael Janda and Justine Parker, *Trade deficit has economist asking 'is Australia still an advanced economy?'*, 2 Jul 2015

Section IV

20 marks

Attempt either Question 27 or Question 28

Allow about 35 minutes for this section

Use the question in a 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 terms, concepts, relationships and theory
 - present a sustained, logical and cohesive response
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Question 27 (20 marks)

Assess the impact of international organisations and government economic forums on the global economy.

OR

Question 28 (20 marks)

Assess the effects of microeconomic policy on the Australian economy.

End of paper



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**HSC TRIAL
EXAMINATION**

Economics: criteria

Section I

Multiple Choice (20 marks)

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

Section II

Question 21 (10 marks)

Q	Suggested Answer & Criteria												
21(a)	<p>The table shows employment data for a hypothetical economy.</p> <table border="1" data-bbox="288 477 1297 846"> <tbody> <tr> <td>Population</td> <td>23,800,000</td> </tr> <tr> <td>Population aged 15 +</td> <td>20,500,000</td> </tr> <tr> <td>Part time / casual employed</td> <td>3,500,000</td> </tr> <tr> <td>Full Time employed</td> <td>8,120,000</td> </tr> <tr> <td>Hidden Unemployed</td> <td>600,000</td> </tr> <tr> <td>Unemployed and actively seeking work</td> <td>750,000</td> </tr> </tbody> </table> <p>Using the data above, calculate the rate of unemployment (to 1 decimal place).</p> <p>Answer:</p> $\frac{750,000}{3,500,000 + 8,120,000 + 750,000} = \frac{750,000}{12,370,000}$ <p>= 6.1%</p> <p>Criteria: 2 marks: shows working to arrive at the correct answer 1 mark: shows correct working but arrives at the wrong answer.</p>	Population	23,800,000	Population aged 15 +	20,500,000	Part time / casual employed	3,500,000	Full Time employed	8,120,000	Hidden Unemployed	600,000	Unemployed and actively seeking work	750,000
Population	23,800,000												
Population aged 15 +	20,500,000												
Part time / casual employed	3,500,000												
Full Time employed	8,120,000												
Hidden Unemployed	600,000												
Unemployed and actively seeking work	750,000												
21(b)	<p>Using the data above, calculate the participation rate.</p> <p>Answer:</p> $\frac{12,370,000}{20,500,000}$ <p>= 60.3%</p> <p>Criteria: 2 marks: shows working to arrive at the correct answer 1 mark: shows correct working but arrives at the wrong answer</p>												

21(c)	<p>Distinguish between hidden and structural unemployment.</p> <p>Answer: Hidden unemployment includes those people who can be considered unemployed but do not meet the ABS definition of unemployment and are thus not reflected in the unemployment statistics. It includes those people who have been discouraged from seeking employment and are no longer actively looking for a job. Structural unemployment occurs because of structural changes in the economy resulting in the skills of workers no longer matching the needs of employers.</p> <p>Criteria: 2 marks: Distinguished between structural and hidden unemployment. 1 marks: May provide a definition of hidden or structural unemployment.</p>
21(d)	<p>Explain how expansionary fiscal policy may impact an economy currently experiencing full employment.</p> <p>Answer: Full employment is expressed as the non-accelerating inflation rate of unemployment. It suggests that even when the economy is operating at full employment there will always be some level of unemployment comprised of seasonal, frictional, structural and hard-core. Full employment exists where there is an absence of cyclical unemployment in the economy. If a government were to adopt expansionary fiscal policy whilst the economy was experiencing full employment, the increase in demand will force employers to increase production and therefore hire new workers. Given the lack of available workers, employers will be forced to offer higher wages to attract new staff. This will lead to further increases in demand leading to increases in the inflation rate in the economy. The Phillips' Curve demonstrates the relationship between inflation and unemployment.</p>

Question 22 (10 marks)

Q	Suggested Answer & Criteria
22(a)	<p>Describe ONE bilateral agreement (other than China) Australia is a signatory to.</p> <p>Answer:</p> <ul style="list-style-type: none"> - Students choice of ONE bi-lateral agreements that Australia has signed. - The key discriminator will be around whether the student has provided the characteristics and features of the agreement in a manner that shows an academic appreciation of the benefits of the agreement and not just a general overview. <p>CERTA MAFTA SAFTA KAFTA TAFTA CHAFTA AUSFTA</p> <p>Criteria: 2 marks: Provides the characteristics and features of a bi-lateral agreement that Australia has signed. Includes aspects such as dates, formal name and at least two distinguishing features of the agreement including goods and services covered, dollar values and percentage tariffs reductions. 1 mark: Sketches in general terms a bi-lateral agreement that Australia has signed. No marks for agreements that are either not bi-lateral or have not yet been signed</p>
22(b)	<p>An economy has reduced protection of domestic industries. Discuss the impacts of this reduction on both domestic firms and individuals.</p> <p>Answer:</p> <p>Reduction in protection could include, for example, reduced tariffs, reduced subsidies, increased quotas.</p> <p>Possible impacts students could explain include: Individuals:</p> <ul style="list-style-type: none"> • Loss of employment (increase in structural unemployment) in the short term as manufacturing industries close down. • Reduced prices of imports and a wider selection of goods available. • Higher living standards. <p>Firms:</p> <ul style="list-style-type: none"> • Firms operating in marginal import-competing industries may close unless they can improve competitiveness or innovate. • Firms may cut production of less profitable product lines, consolidate manufacturing, find export markets, specialize. • Firms may force productivity improvements by cutting staff. • Some firms will benefit from lower input costs as protection on imported inputs is reduced. E.g. machinery in the mining industry. <p>Criteria: 4 marks: Advantage and disadvantage of reduced protection on firms and individuals. 2 mark: Only a disadvantage / advantage mentioned for both 1 mark: Disadvantage / advantage for one of either firms or individuals.</p>

22(c)	<p>Explain the difficulties Australian agricultural producers have in accessing export markets.</p> <p>Answer: Australia suffers particular disadvantages as a result of protectionist policies of other nations and trading blocs on agricultural goods. The EU has for decades heavily subsidized agricultural production through the Common Agricultural Policy, which absorbs over one third of the EU budget. Farmers also receive significant subsidies in the US, Japan, Korea and Switzerland. Australian farmers are therefore competing in global markets at significant disadvantage to their counterparts in the rest of the industrialised world. The developing world also impose protection barriers. ABARES estimates that wine exports could increase \$47 million if China and Korea removed their wine tariffs. The Doha round of WTO talks has stalled. If global trade liberalization was achieved it could boost Australia’s agricultural exports by US\$9 billion by 2020. According to ABARES.</p> <p>Criteria: 1 mark each for:</p> <ul style="list-style-type: none"> • Protectionist policies of EU • Protectionist policies of US, Japan, Korea, Switzerland / China, Korea • Breakdown of DOHA • Stats showing increased trade if liberalization was achieved.
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Question 23 (10 marks)

Q	Suggested Answer & Criteria
23(a)	<p><i>What is external stability?</i></p> <p>Answers could include: External stability refers to the ability of Australia to service its foreign liabilities in the medium to long term. It is a policy designed to promote sustainability on our external accounts and is measured by analyzing the CAD/foreign debt and liabilities as a percentage of GDP.</p> <p>Criteria: 2 marks: Student sketches in clear terms the concept of external stability 1 mark: Student identifies in basic detail, external stability</p>
23(b)	<p><i>Explain how Australia's net foreign liabilities could be smaller in value than its net foreign debt.</i></p> <p>Answer: Net foreign liabilities include both net foreign debt and net foreign equity. Net foreign debt represents the borrowings made by private and public institutions from foreign sources. It is possible that net foreign debt is higher when there is a positive value of net foreign equity. In other words, the net foreign equity actually lowers the value of net foreign liabilities because we provide more equity abroad than is invested into Australia.</p> <p>Criteria: 3-4 marks: Student provides cause and effect relationship demonstrating the relationship between foreign debt and liabilities 1 - 2 marks: Student provides characteristics and features of foreign debt and liabilities</p>
23(c)	<p><i>Discuss possible effects of a continuing current account deficit on an economy.</i></p> <p>Answer: If the CAD is a result of foreign investment that has been used for investment purposes by private firms that contributes to growth and profitability of the economy and is serviceable than it can be a positive as it contributes to economic growth and the associated benefits such as employment. However, if the CAD is sustained at about 6% of GDP then there is an argument that it may become unsustainable and that the economy may fall into a debt trap scenario where borrowing continues in order to fund future CAD's. It may also undermine investor confidence and lead to a downgrading of credit ratings.</p> <p>Criteria: 3-4 marks: Student provides points in favour of and against a continued CAD. 1-2 marks: Student provides a point in favour of OR against a continued CAD.</p>

Question 24 (10 marks)

Q	Suggested Answer & Criteria
24(a)	<p>Using examples, outline TWO impacts on the environment of continuing world economic growth.</p> <p>Answer: Continuing GWP can have several impacts on the environment. Increased production in goods and services may lead to increased carbon emissions and contribute to global warming as evidenced by the increase of 1.9% in carbon dioxide in the atmosphere since 2009 or the growth in emissions in India and China of 2.7% each year since 2000. Increased demand for natural resources may cause negative impacts such as deforestation as land is cleared for either farming or timber products. According to the UN some 18 million acres of forest are lost each year reducing the planets ability to absorb CO2.</p> <p>Criteria:</p> <p>4 marks: Sketches in general terms TWO impacts on the environment of continuing world economic growth and refers to examples 3 marks: Sketches in general terms TWO impacts on the environment of continuing world economic growth and refers to an example OR Sketches in general terms ONE impact on the environment of continuing world economic growth and refers to examples 1-2 marks: Sketches in general terms an impact on the environment of continuing world economic growth and refers to an example</p>
24(b)	<p>With reference to an economy other than Australia, evaluate strategies used to promote economic development.</p> <p>Answer: Development Strategies might include:</p> <ul style="list-style-type: none"> • Increased focus on welfare programs to reduce poverty in absolute and relative terms • Infrastructure spending by government aimed at improving sanitation, transport and public facilities • Any policies (named) aimed to improve HDI and their impact on educational attainment, GNI p/cap, life expectancy/health and sanitation <p>Criteria:</p> <p>5-6 marks: Student establishes a criteria and makes a judgement against the criteria in relation to strategies that have been used to promote economic development in an economy other than Australia 3-4 marks: Student provides characteristics and features of strategies that have been used to promote economic development in an economy other than Australia 1-2 marks: Student identifies or sketches in basic terms strategies that have been used to promote economic development in an economy other than Australia</p>

Section III

Question 25 (20 marks)

Analyse the sources and effects of economic growth in the Australian economy. In your response, you should refer to the economic information provided.

Criteria	Marks
<ul style="list-style-type: none">• Demonstrates factually precise and extensive knowledge of the sources and effects of economic growth in the Australian economy.• Synthesises relevant economic data to support a comprehensive, contemporary and theoretical discussion in a sustained, logical and well-structured answer• Integrates economic terms, concepts, issues, relationships and theory	17–20
<ul style="list-style-type: none">• Demonstrates good knowledge of the sources and effects of economic growth in the Australian economy.• Uses relevant data to develop a logical and well-structured response• Applies appropriate economic terms, relevant concepts, relationships and theory	13–16
<ul style="list-style-type: none">• Demonstrates satisfactory knowledge of the sources and effects of economic growth in the Australian economy.• Uses relevant data to develop a coherent response• Applies appropriate economic terms, concepts and theory	9–12
<ul style="list-style-type: none">• Sketches in general terms the sources and effects of economic growth in the Australian economy.• Makes minimal use of data to develop a generalised response• Uses some economic terms and concepts	5–8
<ul style="list-style-type: none">• Demonstrates elementary knowledge of the sources and effects of economic growth in the Australian economy.• Basic use of some terminology in a limited response	1–4

Answers may include:

Economic Growth – Definition, AD-AS graph, calculation

Sources:

- **Components of Aggregate Demand.** $AD = C + I + G + (X - M)$
- **Components of Aggregate Supply.** $AS = C + S + T$
- **Industrialisation of China.** MB1 MB2
- **Fiscal Policy.** GFC
- **Monetary Policy:** through the phases.
- **Multiplier**
- **Population Growth**
- **New skills**
- **Increased Capital**
- **Efficiency gains**

- *Government policies*

Effects:

- *Living standards*
- *Employment*
- *Inflation*
- *External Stability*
- *Income Distribution*
- *Environmental Impacts*

Question 26 (20 marks)

Analyse various trends that have impacted the size and composition of Australia's balance of payments.

Criteria	Marks
<ul style="list-style-type: none"> • Demonstrates factually precise and extensive knowledge of the impact of domestic and global trends on the size and composition of Australia's balance of payments • Synthesises relevant economic data to support a comprehensive, contemporary and theoretical discussion in a sustained, logical and well-structured answer • Integrates economic terms, concepts, issues, relationships and theory 	17–20
<ul style="list-style-type: none"> • Demonstrates a good knowledge of the impact of the impact of domestic and global trends on the size and composition of Australia's balance of payments • Uses relevant data to develop a logical and well-structured response • Applies appropriate economic terms, relevant concepts, relationships and theory 	13–16
<ul style="list-style-type: none"> • Demonstrates a satisfactory knowledge of the impact of domestic and global trends on the size and composition of Australia's balance of payments • Uses relevant data to develop a coherent response • Applies appropriate economic terms, concepts and theory 	9–12
<ul style="list-style-type: none"> • Sketches in general terms the impact of domestic and global trends on the size and composition of Australia's balance of payments • Makes minimal use of data to develop a generalised response • Uses some economic terms and concepts 	5–8
<ul style="list-style-type: none"> • Demonstrates elementary knowledge of the impact of domestic and global trends on the size and composition of Australia's balance of payments • Basic use of some terminology in a limited response 	1–4

Answers may include:*Global trends:*

- Globalisation (caused by technology, communications and transport)
- Trade liberalization (role of WTO, increasing FTAs offset by adverse impact of blocs and trade diversion)
- Financial deregulation (increasing financial flows, debt and equity, portfolio and direct)
- Volatility: GFC, convergence of business cycles
- Industrialisation of China, increasing TOT, appreciating dollar, decreased non mining international competitiveness
- Currency wars
- Low global interest rates

Domestic trends:

- tariff reductions,
- removal of subsidies,
- economic growth (impact of higher incomes on M),
- mining investment boom (impacting AD and M),
- structural savings investment gap somewhat narrowed by increasing super contributions and increased household savings rate,

- low non mining business investment,
- increased sovereign borrowings by the public sector to fund deficits
- narrower export base
- financial deregulation increasing net foreign liabilities (although current positive net foreign equity)
- political pressure to achieve fiscal consolidation resulting in cuts to proposed increases in foreign aid
- depreciating AUD following termination of quantitative easing and US growth and Asia slowdown

Impacts on BOP

- Definition of BOP
- Relationships between key BOP categories
- Impacts of trends on X and M for mining and non mining industries
- Cyclical impacts on BOGS
- NPI: valuation effect, and reduction in NPI as a result of private sector non mining delverage, lower global interest rates, and a higher proportion of total debt being public sector debt with lower debt servicing costs
- Favourable impact on NSI as a result of cuts to foreign aid
- Capital and financial account: def of portfolio and direct
- Depreciation causing increase in foreign direct investment
- Impact on portfolio investment of capital needs to fund mining investment projects

Overall narrative of structurally lower CAD as a result of lower non mining investment and lower global interest rates reducing the impact of the NPI anchor in CAD as a result of savings investment gap, and the outworkings of the 50% imports in MIB and transitioning to the export boom phase, with significantly reduced TOT but much larger volumes of iron ore and coal, and the commencement of LNG exports.

Section IV

Question 27 (20 marks)

Assess the impact of international organisations and government economic forums on the global economy.

Criteria	Marks
<ul style="list-style-type: none">• Demonstrates factually precise and extensive knowledge of various international organisations and government economic forums and reasoned assessment of the impact have had on the global economy.• Synthesises relevant economic data to support a comprehensive, contemporary and theoretical discussion in a sustained, logical and well-structured answer• Integrates economic terms, concepts, issues, relationships and theory	17–20
<ul style="list-style-type: none">• Demonstrates strong knowledge of international organisations and government economic forums and an assessment of these have had on the global economy.• Uses relevant data to develop a logical and well-structured response• Applies appropriate economic terms, relevant concepts, relationships and theory	13–16
<ul style="list-style-type: none">• Demonstrates some knowledge of international organisations and government economic forums and a judgement that these have had on the global economy.• Uses relevant data to develop a coherent response• Applies appropriate economic terms, concepts and theory	9–12
<ul style="list-style-type: none">• Demonstrates some knowledge of some international organisations and some government economic forums and some impact that these have had on the global economy.• Makes minimal use of data to develop a generalised response• Uses some economic terms and concepts	5–8
<ul style="list-style-type: none">• May mention an international organisation and/or government economic forums with identification of some impacts on the global economy• Basic use of some terminology in a limited response	1–4

Answers could include:

- role of international organisations – WTO, IMF, World Bank, United Nations, OECD
- influence of government economic forums – G20, G7/8

Impacts on global economy

- financial stability/volatility
- distribution of income and wealth
- Relative vs absolute poverty improvements
- Increased trade and financial flows
- Impacts on GWP (Impacts on stabilization of GWP)
- Quality of life - HDI impacts
- Policy making impacts.
- Political/economic/ harmony

Question 28 (20 marks)*Assess the effects of microeconomic policy on the Australian economy.*

Criteria	Marks
<ul style="list-style-type: none"> • Makes a judgement about the effects of microeconomic policy on the Australian economy • Synthesises relevant economic data to support a comprehensive, contemporary and theoretical discussion in a sustained, logical and well-structured answer • Integrates economic terms, concepts, issues, relationships and theory 	17–20
<ul style="list-style-type: none"> • Relates some of the effects of microeconomic policy on the Australian economy • Uses relevant data to develop a logical and well-structured response • Applies appropriate economic terms, relevant concepts, relationships and theory 	13–16
<ul style="list-style-type: none"> • Provides characteristics and features of microeconomic policy in the Australian economy • Uses relevant data to develop a coherent response • Applies appropriate economic terms, concepts and theory 	9–12
<ul style="list-style-type: none"> • Sketches in general terms the effects of microeconomic policy on the Australian economy • Makes minimal use of data to develop a generalised response • Uses some economic terms and concepts 	5–8
<ul style="list-style-type: none"> • Elementary understanding of the effects of microeconomic policy on the Australian economy • Basic use of some terminology in a limited response 	1–4

Answers may include:

- Demonstration of microeconomic policy including a graph of the AD/AS curve demonstrating a shift in AS, acknowledgement of supply side economics and product factor markets
- An understanding of product market policy including:
 - Competition policy
 - Industry policy including telecommunications/airline privatization also..
 - Trade policy – deregulation and competition/subsidies
- An understanding of factor market policy including:
 - labour market
 - financial or capital markets
- Short term (structural unemployment, distribution of Y) and long term effects (lower inflation, productivity and efficiency, sustainable growth, efficient allocation of resources)
- Limitations of microeconomic reform (time lags, political constraints, global constraints)
- Acknowledgement of counter-points... micro contributed to but is not entirely responsible for improvements in the Australian economy
- Some stats that may have been used:
 - Between 1950 and 1990 Australian productivity dropped from 4th to 15th in the World and our GDP per capita declined from 5th to 15th in the rankings during this time
 - CAD as a percentage of GDP (which has had been averaging 1.1% of GDP in the 1970s and immediately increased to an average of 4.3% in the 1980s which was the highest average amongst OECD nations at this time) and NFD as a percentage of GDP (which increased from 6.3% of GDP in 1980 and has rapidly escalated to 50.4% of GDP in 2013)
 - Labour productivity grew from 1.4% before 1990 to 2.3% between 1990 and 2004

- the longest period of continuous increase in productivity on record (9 years);
- the highest rate of underlying growth in productivity (multifactor productivity growth at 1.8 per cent a year compared with 0.7 per cent a year from the early 1980s); and
- Australia's productivity growth outpoint the OECD average for the first time (Australia had the second highest productivity acceleration in the 1990s).
- Garnaut (2005) speaks of 'a Great Complacency that descended upon the country after a decade of exceptional economic growth ... As a community, we accepted the excellent economic performance as evidence that we had changed enough.
- Glenn Stevens (2011) has noted that 'past periods of apparently easy affluence, conferred by favourable international conditions, probably lessened the sharpness of our focus on productivity and therefore government appetite for new micro reforms.
- Noticeable slowdown in productivity since 1990 reforms.