



SCEGGS Darlinghurst

**2016**

HIGHER SCHOOL CERTIFICATE  
TRIAL EXAMINATION

**11548**

Centre Number

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Student Number

# Economics

This is a TRIAL PAPER only and does not necessarily reflect the content or format of the Higher School Certificate Examination for this subject.

## General Instructions

- Reading time – 5 minutes
- Time allowed – 3 hours
- Write using black pen
- Draw diagrams using pencil
- Board-approved calculators may be used

## Total marks – 100

**Section I** Pages 2–7

### 20 marks

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

**Section II** Pages 8–19

### 40 marks

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

**Section III** Pages 20–21

### 20 marks

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

**Section IV** Page 22

### 20 marks

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

## Section I – Multiple Choice

20 marks

Attempt Questions 1–20

Allow about 35 minutes for this section

Use the multiple-choice answer sheet provided.

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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 the correct answer by writing the word *correct* and drawing an arrow as follows.

A  B  C  D   
An arrow points from the word *correct* to the B option.

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- 1 Which of the following is exclusively an international government economic forum?
- (A) World Bank
  - (B) G20
  - (C) European Union (EU)
  - (D) World Trade Organisation (WTO)

- 2 Which of the following factors has the most direct effect on aggregate supply?
- (A) Exports
  - (B) Expenditure by government
  - (C) Expenditure on consumer goods
  - (D) Productivity levels

- 3 The table shows selected data for an economy.

<i>Year</i>	<i>Import Price Index</i>	<i>Export Price Index</i>	<i>Terms of Trade</i>
1	100	100	100
2	109	107	?

What is the terms of trade index for Year 2?

- (A) 102
  - (B) 116
  - (C) 98.2
  - (D) 101.9
- 4 Which of the following is the best measure of external stability?
- (A) Current account deficit
  - (B) Net foreign debt as a percentage of gross domestic product
  - (C) Net public debt as a percentage of gross domestic product
  - (D) Net foreign liabilities

- 5 Other things being equal, which of the following will cause an increase in capital inflow into an economy?
- (A) A fall in domestic economic growth
  - (B) An increase in the exchange rate
  - (C) A fall in overseas interest rates
  - (D) A decrease in the domestic rate of inflation

- 6 Which of the combinations would be actions taken by the Reserve Bank and the Government during a time of a boom?

	<i>Reserve Bank</i>	<i>Government</i>
(A)	Buy Commonwealth Government Securities (CGS)	Increase government spending and increase budget deficit
(B)	Buy Commonwealth Government Securities (CGS)	Increase taxation and reduce budget deficit
(C)	Sell Commonwealth Government Securities (CGS)	Decrease government spending and reduce budget deficit
(D)	Sell Commonwealth Government Securities (CGS)	Decrease taxation and increase budget deficit

- 7 What is the most sustainable economic argument for implementing artificial barriers to trade?
- (A) To protect domestic employment
  - (B) To raise government revenue
  - (C) To discourage dumping
  - (D) To achieve self-sufficiency
- 8 What is an advantage of macroeconomic policy over microeconomic policy?
- (A) It is more effective at lowering cost inflation
  - (B) It is more effective at lowering structural unemployment
  - (C) It is more effective at increasing production in the longer-term
  - (D) It is more effective at increasing the demand for goods

**9** An increase in investment expenditure of \$100m changes the equilibrium level of national income by \$250m.

What is the size of the marginal propensity to consume in this economy (MPC)?

- (A) 0.4
- (B) 0.6
- (C) 1.25
- (D) 2.50

**10** Which of the following is an example of discretionary fiscal policy that would lower net government spending?

- (A) Higher levels of employment
- (B) Introduction of an inheritance tax
- (C) The construction of a new high speed rail network
- (D) Higher commodity prices

**11** Which of the following best describes hidden unemployment?

- (A) People who work part-time but are willing and able to work more hours
- (B) People who work in casual jobs
- (C) People who do not work because they do not have the skills required
- (D) People who do not work and are not actively seeking work

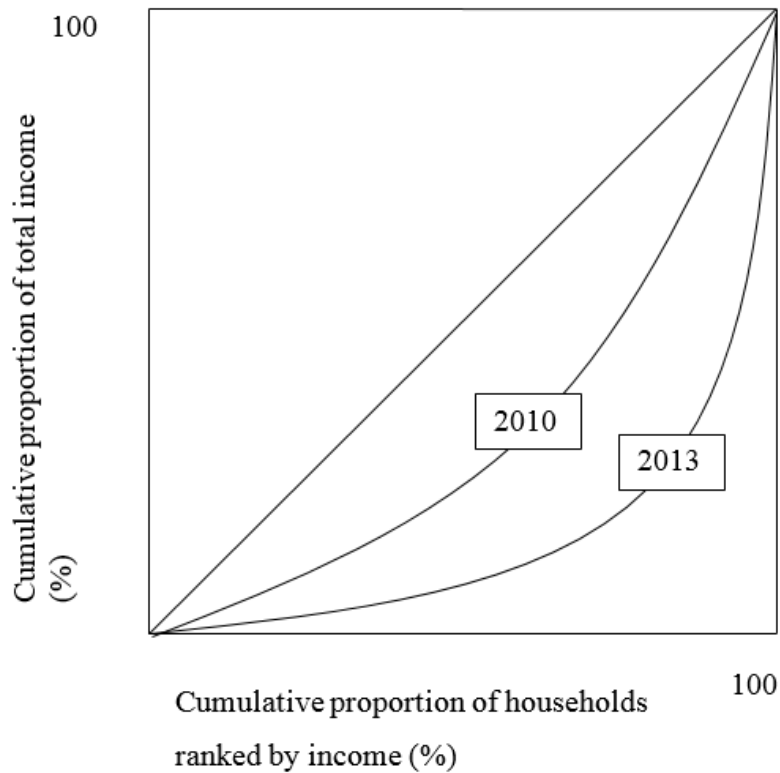
**12** Which of the following is most likely to add to Australia's Capital and Financial Account surplus?

- (A) An increase in royalties paid to Australia
- (B) An increase in Australia's foreign aid program for international emergencies
- (C) An increase in loans borrowed by Australian banks from foreign lenders
- (D) An increase in money transferred to relatives overseas by migrants to Australia

- 13** Which of the following policy changes would likely improve the allocative efficiency of an economy?
- (A) A decrease in the tax-free threshold  
 (B) A decrease in agricultural subsidies  
 (C) An increase in the minimum wage for hospitality workers  
 (D) A decrease in the size of an import quota on a consumer good
- 14** Which of the following is most likely to cause inflation in the Australian economy?
- (A) Higher interest rates in the United States  
 (B) An increase in the Medicare Levy  
 (C) A reduction in the Age Pension  
 (D) An increase in the compulsory superannuation employer contribution
- 15** What are the circumstances that result in a positive externality?
- (A) The marginal social cost exceeds the marginal private cost  
 (B) Consumption where a person's enjoyment does not diminish another's enjoyment  
 (C) Consumption by a free-rider  
 (D) The marginal social benefit exceeds the marginal private benefit
- 16** Which of the following combinations is most likely to depreciate the Australian dollar?

	<i>Domestic Interest Rates</i>	<i>Imports</i>
(A)	Higher	Lower
(B)	Higher	Higher
(C)	Lower	Lower
(D)	Lower	Higher

17 The diagram shows the Lorenz curves for an economy over time.



Which of the following was most likely responsible for the change in the distribution of income in this economy between 2010 and 2013?

- (A) The minimum wage increased
- (B) The unemployment rate increased
- (C) More welfare payments were means-tested
- (D) The sharemarket dropped in value

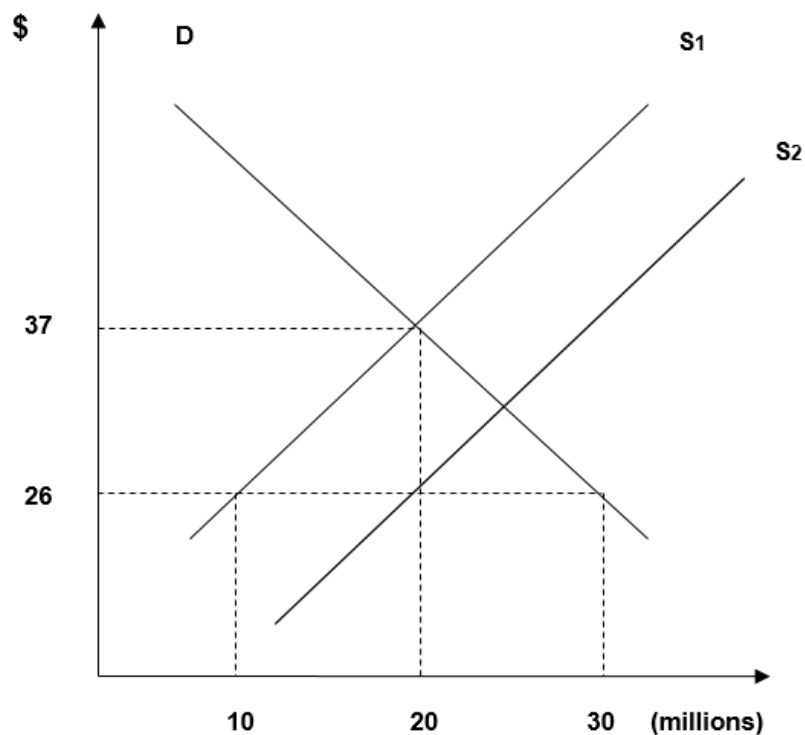
18 Which of the following would increase the supply of the Australian dollar in the global foreign exchange market?

- (A) A decrease in the sale of Australian wool to Japan
- (B) An increase in the number of Australian tourists to the United States
- (C) A decrease in imported cars into Australia
- (D) An increase in Australia's interest rates

- 19 Which of the following policies are most likely to result in a decrease in ‘demand pull inflation’ and an increase in ‘cost push inflation’?

	<i>Decrease in demand pull inflation</i>	<i>Increase in cost push inflation</i>
(A)	Tight monetary policy	Tight monetary policy
(B)	Loose monetary policy	Tight monetary policy
(C)	Increase the size of a surplus	Decrease the size of a surplus
(D)	Decrease the size of a surplus	Increase the size of a surplus

- 20 The diagram shows the effect of a domestic subsidy on domestic supply and demand in an open economy. The free trade price is \$26.



What is the per unit cost of the subsidy and the total cost of the subsidy to the government?

	<i>Unit cost of subsidy (\$)</i>	<i>Total cost of subsidy (\$m)</i>
(A)	11	110
(B)	11	220
(C)	26	260
(D)	26	520

**End of Section I**



# Economics

# 11548

Centre Number

## Section II

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**40 marks**

**Attempt Questions 21–24**

**Allow about 1 hour and 15 minutes for this section**

Student Number

Answer the questions in the spaces provided. These spaces provide guidance for the expected length of response.

Extra writing space is provided on pages 17 and 18. If you use this space, clearly indicate which question you are answering.

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**Please turn over**

**Question 21** (10 marks)

(a) Define economic globalisation. **1**

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(b) Describe ONE economic role of the United Nations (UN) in the global economy. **2**

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(c) Outline ONE benefit OR ONE cost of a monetary union. **2**

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**Question 21 continues on page 10**

Question 21 (continued)

(d) Discuss the influence of the International Monetary Fund on the global economy. **5**

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**End of Question 21**

**Question 22 (10 marks)**

(a) Define the cash rate. **1**

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(b) Identify ONE financial instrument used by the Reserve Bank of Australia in its domestic market operations. **1**

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(c) Outline ONE advantage and ONE disadvantage of the use of monetary policy to address inflation. **4**

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**Question 22 continues on page 12**

Question 22 (continued)

- (d) Explain how the Reserve Bank of Australia’s inflation target contributes to its objective of price stability. **4**

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**End of Question 22**

**Question 23** (10 marks)

(a) Distinguish between the labour force participation rate and the unemployment rate. **2**

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(b) Outline ONE economic cost of unemployment on the Australian economy. **2**

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**Question 23 continues on page 14**



**Question 24** (10 marks)

(a) The table shows selected data for an economy.

<i>Year</i>	<i>Nominal GDP</i>	<i>Consumer Price Index</i>
1	\$250bn	100
2	\$267bn	104

Calculate the rate of inflation and real GDP growth for Year 2.

**2**

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(b) Explain how changes in the terms of trade affects the Australian economy.

**3**

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**Question 24 continues on page 16**



Question 24 (continued)

- (c) Explain the role of investment in influencing Australia’s economic growth in the short-term and long-term. **5**

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**End of Section II**





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**Economics**

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**Section III**

Student Number

**20 marks**

**Attempt either Question 25 or Question 26**

**Allow about 35 minutes for this section**

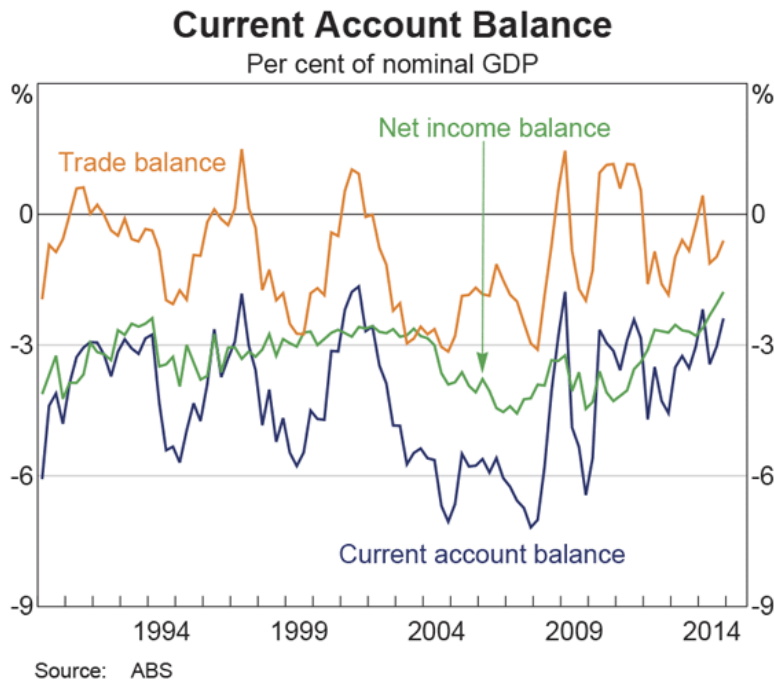
Answer the questions in the Section III Writing Booklet. Extra writing booklets are available.

Your answer will be assessed on how well you:

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

**Question 25 (20 marks)**

Explain the causes of Australia’s current account deficit and its possible effects on the Australian economy. In your response, you should refer to the economic information provided.



Reliance on external borrowing — particularly short-term borrowing — does entail risks; particularly, in the event of disruption to global financial markets. Nevertheless, the fact that Australia has come through the demanding stress test posed by the global financial crisis provides grounds for confidence that the risks are manageable.

**OR**

**Question 26** (20 marks)

Examine the reasons for differences in levels of development within the global economy. In your response, you should refer to the economic information provided.

... among the global top percent, we find the richest 12 percent of Americans (more than 30 million people) and between 3 and 6 percent of the richest Britons, Japanese, Germans, and French. It is a “club” still overwhelmingly composed of the “old rich” world of western Europe, northern America and Japan.

Foreign direct investment (FDI) is an important source of private capital for some developing countries. The booming economies of Asia have become the largest recipients of FDI... However, such investment is not spread evenly: most sub-Saharan African countries receive far less private investment than aid.

**End of Section III**

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**Section IV**

**20 marks**

**Attempt either Question 27 or Question 28**

**Allow about 35 minutes for this section**

Student Number

Answer the questions in the Section IV Writing Booklet. Extra writing booklets are available.

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Your answer 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
- 

**Question 27 (20 marks)**

Discuss the effects of microeconomic reform on the Australian economy.

**OR**

**Question 28 (20 marks)**

Explain how governments are constrained in their ability to simultaneously achieve economic objectives.

**End of paper**

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**Section I**

**20 marks**

Student Number

Write your Student Number at the top of this page

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**Multiple Choice Answer Sheet**

<b>Question</b>	<b>1</b>	A <input type="radio"/>	B <input checked="" type="radio"/>	C <input type="radio"/>	D <input type="radio"/>
	<b>2</b>	A <input type="radio"/>	B <input type="radio"/>	C <input type="radio"/>	D <input checked="" type="radio"/>
	<b>3</b>	A <input type="radio"/>	B <input type="radio"/>	C <input checked="" type="radio"/>	D <input type="radio"/>
	<b>4</b>	A <input type="radio"/>	B <input checked="" type="radio"/>	C <input type="radio"/>	D <input type="radio"/>
	<b>5</b>	A <input type="radio"/>	B <input type="radio"/>	C <input checked="" type="radio"/>	D <input type="radio"/>
	<b>6</b>	A <input type="radio"/>	B <input type="radio"/>	C <input checked="" type="radio"/>	D <input type="radio"/>
	<b>7</b>	A <input type="radio"/>	B <input type="radio"/>	C <input checked="" type="radio"/>	D <input type="radio"/>
	<b>8</b>	A <input type="radio"/>	B <input type="radio"/>	C <input type="radio"/>	D <input checked="" type="radio"/>
	<b>9</b>	A <input type="radio"/>	B <input checked="" type="radio"/>	C <input type="radio"/>	D <input type="radio"/>
	<b>10</b>	A <input type="radio"/>	B <input checked="" type="radio"/>	C <input type="radio"/>	D <input type="radio"/>
	<b>11</b>	A <input type="radio"/>	B <input type="radio"/>	C <input type="radio"/>	D <input checked="" type="radio"/>
	<b>12</b>	A <input type="radio"/>	B <input type="radio"/>	C <input checked="" type="radio"/>	D <input type="radio"/>
	<b>13</b>	A <input type="radio"/>	B <input checked="" type="radio"/>	C <input type="radio"/>	D <input type="radio"/>
	<b>14</b>	A <input checked="" type="radio"/>	B <input type="radio"/>	C <input type="radio"/>	D <input type="radio"/>
	<b>15</b>	A <input type="radio"/>	B <input type="radio"/>	C <input type="radio"/>	D <input checked="" type="radio"/>
	<b>16</b>	A <input type="radio"/>	B <input type="radio"/>	C <input type="radio"/>	D <input checked="" type="radio"/>
	<b>17</b>	A <input type="radio"/>	B <input checked="" type="radio"/>	C <input type="radio"/>	D <input type="radio"/>
	<b>18</b>	A <input type="radio"/>	B <input checked="" type="radio"/>	C <input type="radio"/>	D <input type="radio"/>
	<b>19</b>	A <input checked="" type="radio"/>	B <input type="radio"/>	C <input type="radio"/>	D <input type="radio"/>
	<b>20</b>	A <input checked="" type="radio"/>	B <input type="radio"/>	C <input type="radio"/>	D <input type="radio"/>



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# Economics

## Marking Guidelines

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## Section II

### Question 21 (a)

Criteria	Marks
• Correctly defines economic globalisation	1

#### Sample answer:

Economic globalisation refers to the increasing interdependence of national economies through greater international trade and investment flows.

### Question 21 (b)

Criteria	Marks
• Clearly provides characteristics and features of ONE role of the United Nations in the global economy	2
• Demonstrates a limited understanding of ONE role of the United Nations in the global economy	1

#### Sample answer:

The United Nations Development Program (UNDP) is a UN agency with a development mandate that helps the economies of developing countries by devising appropriate economic strategies and policies, as well as building the human capital in those places.

The United Nations has also played an important global economic role in establishing the Millennium Development Goals (MDG) and supporting initiatives to achieve the targets set out in the MDG.

### Question 21 (c)

Criteria	Marks
• Sketches in general terms ONE benefit OR ONE cost of a monetary union	2
• Demonstrates a limited understanding of a monetary union	1

#### Sample answer:

One benefit of monetary unions is that they reduce the transaction costs of trade and finance associated with exchanging national currencies by establishing a single currency for the union of countries.

A cost of monetary unions is that national economies must share a common monetary policy, which constrains sovereign economic decision-making.

**Question 21 continues on page 3**

Question 21 (continued)

**Question 21 (d)**

<b>Criteria</b>	<b>Marks</b>
• Demonstrates a clear and comprehensive understanding of the influence of the International Monetary Fund on the global economy	5
• Demonstrates a sound understanding of the influence of the International Monetary Fund on the global economy	4
• Sketches in general terms the influence of the International Monetary Fund on the global economy	3
• States some aspects of the influence of the International Monetary Fund on the global economy	2
• Demonstrates a limited understanding of the influence of the International Monetary Fund on the global economy	1

The International Monetary Fund (IMF) primarily influences the global economy through its lending functions. It seeks to stabilise the international financial system through loans to countries experiencing financial crises that enable such economies to remain viable and meet their financial obligations to their citizens and investors. The IMF generally only offers conditional loans that are tied to structural adjustment policies that must be implemented by the recipient economies. The IMF thus influences the global economy by encouraging international policy convergence and business cycle synchronisation. However, the IMF has been criticised for forcing inappropriate policies in certain situations, such as austerity measures that have allegedly worsened downturns such as those in post-GFC Europe, as well as contributing to wider impoverishment in Indonesia after the Asian Financial Crisis of the late 1990s.

**End of Question 21**

**Question 22 (a)**

Criteria	Marks
<ul style="list-style-type: none"> <li>Correctly defines the cash rate</li> </ul>	1

**Sample answer:**

The cash rate is the price of borrowing in the short-term money market.

**Question 22 (b)**

Criteria	Marks
<ul style="list-style-type: none"> <li>Recognises and names ONE financial instrument used by the Reserve Bank of Australia in its domestic market operations</li> </ul>	1

**Sample answer:**

- 2<sup>nd</sup>-hand Commonwealth Government Securities
- 2<sup>nd</sup>-hand Treasury Notes/Bonds
- Repurchase Agreements

**Question 22 (c)**

Criteria	Marks
<ul style="list-style-type: none"> <li>Sketches in general terms BOTH an advantage and a disadvantage of the use of monetary policy to address inflation</li> </ul>	4
<ul style="list-style-type: none"> <li>Sketches in general terms EITHER an advantage or disadvantage of the use of monetary policy to address inflation and states the other</li> </ul>	3
<ul style="list-style-type: none"> <li>Sketches in general terms EITHER an advantage or disadvantage of the use of monetary policy to address inflation</li> </ul> OR <ul style="list-style-type: none"> <li>States BOTH an advantage AND a disadvantage of the use of monetary policy to address inflation</li> </ul>	2
<ul style="list-style-type: none"> <li>States EITHER an advantage or disadvantage of the use of monetary policy to address inflation</li> </ul>	1

**Sample answer:**

An advantage of using monetary policy to address inflation is that it is relatively quick to implement as the board of the Reserve Bank meet eleven times a year to assess the stance of monetary policy.

A disadvantage of using monetary policy to address inflation is that there is a transmission lag of around 6-18 months, from the time of implementing a change in the cash rate to the time it actually begins to effect demand in the economy.

**Question 22 continues on page 5**

Question 22 (continued)

**Question 22 (d)**

<b>Criteria</b>	<b>Marks</b>
• Demonstrates a clear understanding of how the Reserve Bank of Australia's inflation target contributes to its objective of price stability	4
• Demonstrates a sound understanding of how the Reserve Bank of Australia's inflation target contributes to its objective of price stability	3
• Sketches in general terms how the Reserve Bank of Australia's inflation target contributes to its objective of price stability	2
• Demonstrates a limited understanding of how the Reserve Bank of Australia's inflation target contributes to its objective of price stability	1

**Sample answer:**

The Reserve Bank of Australia's inflation target contributes to its objective of price stability by largely eliminating inflationary expectations. The inflation target anchors the inflationary expectations of businesses and households at 2-3%, which deters workers from making high wage claims to compensate for expectations of higher prices that in turn reduces the need for businesses to raise prices to account for higher labour costs. This effectively diminishes the possibility of damaging wage-price spirals that were more common in previous decades. The inflation target is effective in maintaining price stability because it is both transparent – it is widely known and communicated – and credible – it is set at a moderate level with a range of 1% that makes it far more achievable.

**End of Question 22**

**Question 23 (a)**

<b>Criteria</b>	<b>Mark</b>
• Clearly states the difference between the labour force participation rate and the unemployment	2
• Defines the labour force participation rate and unemployment	1

**Question 23 (b)**

<b>Criteria</b>	<b>Mark</b>
• Sketches in general terms ONE economic cost of unemployment on the Australian economy	2
• Identifies economic costs of unemployment on the Australian economy	1

**Sample answer:**

- Vicious cycle of poverty
- Inequality
- Increase transfer payments
- Increase money allocated for training
- Reduce PAYG taxation collections

**Question 23 (c)**

<b>Criteria</b>	<b>Mark</b>
<ul style="list-style-type: none"><li>• Makes a clear judgement of the effectiveness of the current policy mix in reducing unemployment in the Australian economy</li><li>• Discusses in detail the current policy mix integrating economic terms effectively</li></ul>	6
<ul style="list-style-type: none"><li>• Makes a solid judgement of the effectiveness of the current policy mix in reducing unemployment in the Australian economy</li><li>• Discusses the current policy mix using economic terms</li></ul>	5
<ul style="list-style-type: none"><li>• Makes a judgement of the effectiveness of the current policy mix in reducing unemployment in the Australian economy</li><li>• Discusses in some detail the current policy mix using some economic terms</li></ul>	3-4
<ul style="list-style-type: none"><li>• Sketches in general terms the effectiveness of the current policy mix in reducing unemployment in the Australian economy</li></ul>	1-2

**Sample answer:**

- Greater cuts in interest rates current cuts have not proven effective to boost spending and ultimately increase employment
- Increase money on education
- Keynesian spend your way out of recession
- Micro reform leading to structural unemployment
- Increase in unemployment over the last quarter



**Question 24 (a)**

<b>Criteria</b>	<b>Marks</b>
• Correctly calculates the rate of inflation AND economic growth for Year 2	2
• Correctly calculates the rate of inflation OR economic growth for Year 2	1

**Sample answer:**

Inflation is 4% and economic growth is 2.7%

**Question 24 (b)**

<b>Criteria</b>	<b>Marks</b>
• Demonstrates a clear understanding of how changes in the terms of trade affect the Australian economy	3
• Sketches in general terms how changes in the terms of trade affect the Australian economy	2
• Demonstrates a limited understanding of how changes in the terms of trade affect the Australian economy	1

**Sample answer:**

Changes in the terms of trade affect the Australian economy through various means. An increase in the terms of trade increases the real income of Australians because it enables them to buy more imports with the same level of exports – it effectively increases the purchasing power of the economy. Further, increased income from net export value will eventually manifest into greater domestic consumption that will contribute to greater economic growth via the multiplier effect.

**Question 24 continues on page 7**

Question 24 (continued)

**Question 24 (c)**

<b>Criteria</b>	<b>Marks</b>
<ul style="list-style-type: none"><li>• Demonstrates a clear and comprehensive understanding of the role of investment in influencing Australia's economic growth in BOTH the short-term AND long-term</li></ul>	5
<ul style="list-style-type: none"><li>• Demonstrates a clear understanding of the role of investment in influencing Australia's economic growth in BOTH the short-term AND long-term</li></ul>	4
<ul style="list-style-type: none"><li>• Demonstrates a clear understanding of the role of investment in influencing Australia's economic growth in EITHER the short-term OR long-term and sketches in general terms the other</li></ul>	3
<ul style="list-style-type: none"><li>• Sketches in general terms the role of investment in influencing Australia's economic growth in BOTH the short-term AND long-term</li></ul> OR <ul style="list-style-type: none"><li>• Demonstrates a clear understanding of the role of investment in influencing Australia's economic growth in EITHER the short-term OR long-term</li></ul>	2
<ul style="list-style-type: none"><li>• Demonstrates a limited understanding of the role of investment in influencing Australia's economic growth in the short-term and/or long-term</li></ul>	1

**Sample answer:**

Investment is crucial to both short-term and long-term economic growth in the Australian economy. In the short-term, investment accounts for around twenty per cent of aggregate demand in the economy through expenditure on capital goods. The impact of investment in the short-term was evident in the investment phase of the mining boom that created significant direct and indirect employment.

Investment is also important in the longer-term as adding to the country's stock of capital is vital to expanding the productive capacity of the economy. It also assists in improving Australia's productivity rates and thus sustainable economic growth as capital enhances the productivity of labour as well as being a more efficient substitute for labour in certain situations.

**End of Section II**

## Section III

### Question 25

Criteria	Marks
<ul style="list-style-type: none"> <li>• Synthesises own knowledge and understanding, with the information provided, to develop a sustained, logical and cohesive response</li> <li>• Integrates relevant economic terms, concepts, relationships and theories</li> <li>• Demonstrates a clear and comprehensive understanding of the causes of Australia's current account deficit AND its possible effects on the Australian economy</li> </ul>	17–20
<ul style="list-style-type: none"> <li>• Synthesises own knowledge and understanding, with the information provided, to develop a logical and cohesive response.</li> <li>• Applies relevant economic terms, concepts, relationships and theory</li> <li>• Demonstrates a sound understanding of the causes of Australia's current account deficit and its possible effects on the Australian economy</li> </ul> <p>OR</p> <ul style="list-style-type: none"> <li>• Demonstrates a clear and comprehensive understanding of EITHER the causes of Australia's current account deficit OR its possible effects on the Australian economy</li> </ul>	13–16
<ul style="list-style-type: none"> <li>• Uses own knowledge and understanding with the information provided to develop a coherent response</li> <li>• Uses relevant economic terms and concepts and shows some relationships</li> <li>• Sketches in general terms the causes of Australia's current account deficit and its possible effects on the Australian economy</li> </ul> <p>OR</p> <ul style="list-style-type: none"> <li>• Demonstrates a sound understanding of EITHER the causes of Australia's current account deficit OR its possible effects on the Australian economy</li> </ul>	9–12
<ul style="list-style-type: none"> <li>• Uses some economic terms and concepts</li> <li>• Develops a generalised response</li> <li>• Sketches in general terms EITHER the causes of Australia's current account deficit OR its possible effects on the Australian economy</li> </ul> <p>OR</p> <ul style="list-style-type: none"> <li>• States some aspects of the causes of Australia's current account deficit and its possible effects on the Australian economy</li> </ul>	5–8
<ul style="list-style-type: none"> <li>• Uses some economic terms or concepts</li> <li>• Presents a limited response</li> <li>• Lists features of Australia's current account deficit</li> </ul>	1–4

#### Answers could include:

- |                                 |                               |
|---------------------------------|-------------------------------|
| • Savings-investment gap        | • Interest rate differentials |
| • International competitiveness | • Foreign debt and equity     |
| • Productivity                  | • Investor confidence         |
| • Exchange rates                | • Depreciation                |
| • Microeconomic reform          | • Debt-trap scenario          |
|                                 | • Pitchford Thesis            |

## Question 26

Criteria	Marks
<ul style="list-style-type: none"><li>• Synthesises own knowledge and understanding, with the information provided, to develop a sustained, logical and cohesive response</li><li>• Integrates relevant economic terms, concepts, relationships and theory</li><li>• Demonstrates a clear and comprehensive understanding of the reasons for differences in levels of development within the global economy</li></ul>	17–20
<ul style="list-style-type: none"><li>• Synthesises own knowledge and understanding, with the information provided, to develop a logical and cohesive response.</li><li>• Applies relevant economic terms, concepts, relationships and theory</li><li>• Demonstrates a sound understanding of the reasons for differences in levels of development within the global economy</li></ul>	13–16
<ul style="list-style-type: none"><li>• Uses own knowledge and understanding with the information provided to develop a coherent response</li><li>• Uses economic terms and concepts and shows some relationships</li><li>• Sketches in general terms the reasons for differences in levels of development within the global economy</li></ul>	9–12
<ul style="list-style-type: none"><li>• Develops a generalised response</li><li>• Uses some economic terms and concepts</li><li>• States some aspects of the reasons for differences in levels of development within the global economy</li></ul>	5–8
<ul style="list-style-type: none"><li>• Presents a limited response</li><li>• Uses some economic terms or concepts</li><li>• Lists features of levels of development within the global economy</li></ul>	1–4

### Answers could include:

- Comparative advantage
- Economic structure
- Global trade framework
- Financial and investment flows
- Capital accumulation
- Natural resource endowment
- Productivity levels
- Civil and political institutions
- Regulatory structure
- Infrastructure
- Human capital
- Brain drain
- Foreign debt
- Vulnerability to conflict

## Section IV

### Question 27

Criteria	Marks
<ul style="list-style-type: none"><li>• Integrates relevant economic terms, concepts, relationships and theory</li><li>• Provides a sustained, logical and cohesive response</li><li>• Demonstrates a clear and comprehensive understanding of the effects of microeconomic reform on the Australian economy</li><li>• Develops informed arguments for and/or against the effects of microeconomic reform on the Australian economy</li></ul>	17–20
<ul style="list-style-type: none"><li>• Applies relevant economic terms, concepts, relationships and theories</li><li>• Provides a logical and cohesive response</li><li>• Demonstrates a sound understanding of the effects of microeconomic reform on the Australian economy</li><li>• Provides some arguments for and/or against the effects of microeconomic reform on the Australian economy</li></ul>	13–16
<ul style="list-style-type: none"><li>• Uses economic terms and concepts and shows some relationships</li><li>• Develops a coherent response</li><li>• Demonstrates some understanding of the effects of microeconomic reform on the Australian economy</li><li>• May refer to positive or negative effects of microeconomic reform</li></ul>	9–12
<ul style="list-style-type: none"><li>• Uses some economic terms and concepts</li><li>• Develops a generalised response</li><li>• States some aspects of the effects of microeconomic reform on the Australian economy</li></ul>	5–8
<ul style="list-style-type: none"><li>• Uses some economic terms and/or concepts</li><li>• Presents a limited response</li><li>• Lists some aspects of microeconomic reform and its effects</li></ul>	1–4

#### Answers could include:

- Microeconomic reform
- Structural change
- Structural unemployment
- Wage dispersion
- Inequitable distribution of income
- Reform dividend
- Allocative efficiency
- Technical efficiency
- Dynamic efficiency
- Productivity growth
- Price stability
- International competitiveness

## Question 28

Criteria	Marks
<ul style="list-style-type: none"><li>• Integrates relevant economic terms, concepts, relationships and theories</li><li>• Provides a sustained, logical and cohesive response</li><li>• Demonstrates a clear and comprehensive understanding of how governments are constrained in their ability to simultaneously achieve economic objectives</li></ul>	17–20
<ul style="list-style-type: none"><li>• Applies relevant economic terms, concepts, relationships and theories</li><li>• Provides a logical and cohesive response</li><li>• Demonstrates a sound understanding of how governments are constrained in their ability to simultaneously achieve economic objectives</li></ul>	13–16
<ul style="list-style-type: none"><li>• Uses economic terms and concepts and shows some relationships</li><li>• Develops a coherent response</li><li>• Sketches in general terms how governments are constrained in their ability to simultaneously achieve economic objectives</li></ul>	9–12
<ul style="list-style-type: none"><li>• Uses some economic terms and concepts</li><li>• Develops a generalised response</li><li>• States some aspects of how governments are constrained in their ability to simultaneously achieve economic objectives</li></ul>	5–8
<ul style="list-style-type: none"><li>• Uses some economic terms and/or concepts</li><li>• Presents a limited response</li><li>• Lists some economic objectives and/or policies</li></ul>	1–4

### Answers could include:

- Conflicting objectives
- Economic growth
- Full employment
- Price stability
- External stability
- Equitable distribution of income
- Sustainable development
- Phillips curve
- Natural rate of unemployment
- Time lags
- Political constraints
- Global constraints