



Barker College

**2011**  
**YEAR 12**  
**TRIAL EXAMINATION**  
**TERM 3**

# Economics

AM TUESDAY 9 AUGUST

Staff Involved:

- JLD
- JMM\*
- JMT

55 copies

**Section I – Multiple Choice Answer Sheet**

**Choose the best response and fill in the response oval completely**

1.	(A)	(B)	(C)	(D)
2.	(A)	(B)	(C)	(D)
3.	(A)	(B)	(C)	(D)
4.	(A)	(B)	(C)	(D)
5.	(A)	(B)	(C)	(D)
6.	(A)	(B)	(C)	(D)
7.	(A)	(B)	(C)	(D)
8.	(A)	(B)	(C)	(D)
9.	(A)	(B)	(C)	(D)
10.	(A)	(B)	(C)	(D)

11.	(A)	(B)	(C)	(D)
12.	(A)	(B)	(C)	(D)
13.	(A)	(B)	(C)	(D)
14.	(A)	(B)	(C)	(D)
15.	(A)	(B)	(C)	(D)
16.	(A)	(B)	(C)	(D)
17.	(A)	(B)	(C)	(D)
18.	(A)	(B)	(C)	(D)
19.	(A)	(B)	(C)	(D)
20.	(A)	(B)	(C)	(D)

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Barker College

Student Number: .....

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# Economics

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## General Instructions

- Working time – 3 hours
- Write using blue or black pen
- Hand in the paper in **FOUR** separate bundles:
  1. Section I - Multiple Choice
  2. Section II - Short Answer
  3. Section III - Stimulus Essay
  4. Section IV - Essay

**Total marks (100)**

**Section I** Pages 3 - 8

**20 marks**

- Attempt Questions 1 – 20
- Answer these questions on the multiple-choice answer sheet provided
- Allow 36 minutes for this section

**Section II** Pages 10 - 17

**40 marks**

- Attempt Questions 21 to 24
- Answer these questions in the spaces provided on the paper
- Allow 72 minutes for this section

**Section III** Pages 18 - 19

**20 marks**

- Attempt **ONE** Question only  
Question 25 OR Question 26
- Answer this question on the paper provided
- Allow 36 minutes for this section

**Section IV** Page 20

**20 marks**

- Attempt **ONE** Question only  
Question 27 OR Question 28
- Answer this question on the paper provided
- Allow 36 minutes for this section

## Section I – Multiple Choice

Total marks (20)

Attempt Questions 1 – 20

Use the multiple-choice answer sheet

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

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

(A)  (B)  (C)  (D)

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

(A)  (B)  (C)  (D)

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

(A)  (B)  (C)  (D)

*correct*  
↖

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1. What is the best measure of a nation's economic development?
  - (A) Life expectancy
  - (B) Real labour costs
  - (C) Trade Weighted Index
  - (D) Human Development Index
  
2. Assume that Australian demand for South Korean televisions is price inelastic and that the Australian dollar has depreciated against the South Korean won. Which of the following is true?
  - (A) Total outlay by Australian consumers will decrease and they will buy fewer South Korean televisions.
  - (B) Total outlay by Australian consumers will decrease and they will buy more South Korean televisions.
  - (C) Total outlay by Australian consumers will increase and they will buy more South Korean televisions.
  - (D) Total outlay by Australian consumers will increase and they will buy fewer South Korean televisions.
  
3. Which of the following is likely to cause an increase in structural unemployment?
  - (A) A decrease in aggregate demand.
  - (B) An increase in education levels.
  - (C) A decrease in tariffs on clothing.
  - (D) An increase in interest rates.
  
4. Which of the following business behaviours is illegal under Competition Policy?
  - (A) A business decreasing prices to run at a loss in an attempt to bankrupt a competitor.
  - (B) A business entering into a strategic alliance with a supplier to develop a better quality product.
  - (C) A business with 45% of market share making an offer to buy a competitor with 10% market share.
  - (D) A business decreasing prices by over 50% in attempt to clear excess stock.

Study the following table to answer Question 5.

**Production Possibilities From One Unit of Resources.**

Country	Sugar	Meat (tonnes)
Australia	100 tonnes	200 tonnes
USA	60 tonnes	140 tonnes

5. Which of the following statements is true?
- (A) Australia has an absolute advantage and a comparative advantage in the production of meat.
  - (B) Australia has an absolute advantage in the production of meat and a comparative advantage in the production of sugar.
  - (C) Australia has an absolute advantage and a comparative advantage in the production of both sugar and meat.
  - (D) Australia has a comparative advantage in the production of meat and an absolute advantage in the production of sugar.
6. Assume the Australian Government has paid for new operating theatre equipment for a hospital to aid regional economic development in Papua New Guinea. How would this equipment be recorded in Australia's balances of payments?
- (A) A debit on the Capital Account.
  - (B) A debit on the Balance on Goods.
  - (C) A debit on the Net Income Account.
  - (D) A debit on Other Transfers.
7. Which international institution offers assistance to nations to help the government manage its debt and central bank to maintain the value of their currency?
- (A) World Development Bank.
  - (B) International Monetary Fund.
  - (C) The United Nations.
  - (D) The World Bank

8. Assume that  $C = 300 + 0.8Y$  and  $I = 200$  in a three sector economy. What is the level of saving at the equilibrium level of national income?
- (A) 200
  - (B) 300
  - (C)  $300 + 0.2Y$
  - (D)  $300 - 0.2Y$
9. Which of the following is the direct consequence of an inflationary gap?
- (A) Monetary inflation.
  - (B) Imported inflation.
  - (C) Cost-push inflation.
  - (D) Demand-pull inflation.
10. Which of the following is likely to cause a depreciation of the Australian dollar?
- (A) The RBA increasing official interest rates.
  - (B) The RBA increasing reserves of foreign currency and gold.
  - (C) An unexpected large fall in Australia's unemployment rate.
  - (D) An expected increase in Australia's Consumer Price Index.
11. Which of the following is a consequence of increased globalisation?
- (A) Decreased greenhouse gases from international transport.
  - (B) Decreased flows of finance between countries.
  - (C) Increased capacity for global financial crises.
  - (D) Increased absolute poverty in new industrialised countries.
12. What is the characteristic of a public good?
- (A) Access to the good cannot be easily regulated.
  - (B) Access to the good is regulated by price.
  - (C) Prices are determined by supply and demand in a free market.
  - (D) Inflation rates tend to be higher than the CPI.

- 13.** What is the effect of the RBA buying short-term securities in the overnight money market?
- (A) The price and yields of short-term securities would decrease.
  - (B) The price of the short-term security would increase and the yield would decrease.
  - (C) The price of the short-term security would decrease and the yield would increase.
  - (D) The price and yields of short-term securities would increase.

**Use the table below indicating statistics for a hypothetical economy with a floating exchange rate to answer Question 14.**

<b>Consumption</b>	<b>Saving</b>	<b>Government Spending</b>	<b>Taxation</b>	<b>Investment</b>
600	200	300	200	400

- 14.** At equilibrium, what is the capital and financial account balance for this economy?
- (A) A deficit of 300
  - (B) A deficit of 200
  - (C) A surplus of 200
  - (D) A surplus of 300
- 15.** Which of the following is an example of an automatic stabiliser?
- (A) The marginal rate of tax.
  - (B) The rate of interest.
  - (C) Income tax receipts.
  - (D) Government spending on infrastructure.
- 16.** What is the likely effect of increasing the rate of globalisation on the Australian economy?
- (A) Increased tariff protection.
  - (B) Decreased cyclical unemployment.
  - (C) Increased cost-push inflation.
  - (D) Structural change.



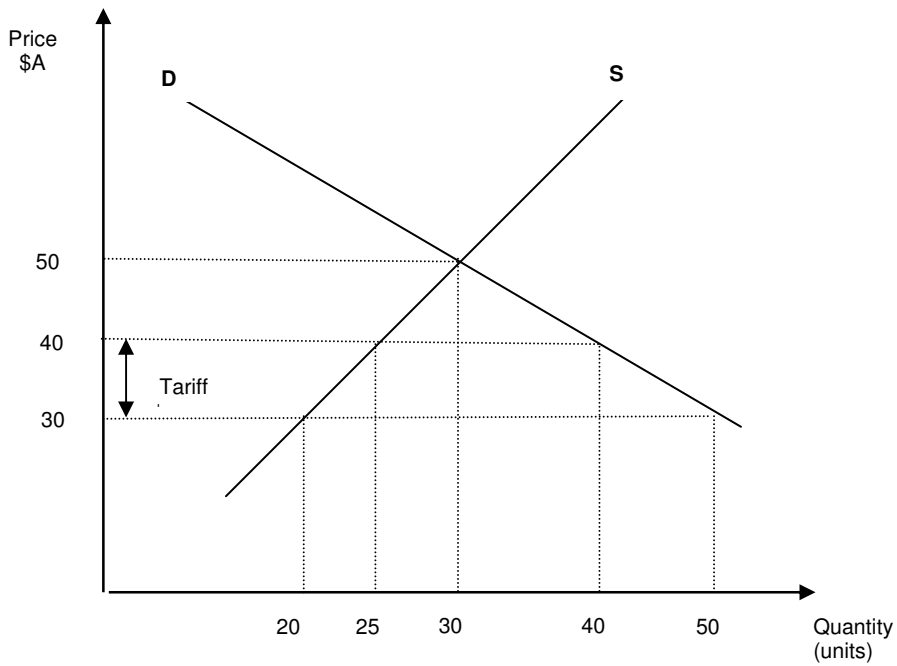
17. Which of the following is a *disadvantage* of monetary policy?
- (A) Decisions to adjust monetary policy settings generally only occur once a year.
  - (B) Some households and businesses can evade income taxes.
  - (C) Increasing interest rates can slow economic activity in depressed regions.
  - (D) The Reserve Bank often cannot meet demand for Treasury Notes and repurchase orders.

Refer to the table to answer Question 18.

	Import Price Index	Export Price Index
Year 1	90	100
Year 2	80	90

18. Which of the following statements is true?
- (A) The current account surplus is increasing from Year 1 to Year 2.
  - (B) The terms of trade have deteriorated from Year 1 to Year 2
  - (C) The terms of trade have improved from Year 1 to Year 2.
  - (D) The current account balance remains unchanged from Year 1 to Year 2.
19. What are the characteristics of a newly industrialising economy?
- (A) Increased openness to trade, increasing income equality between urban and rural regions, and increasing urbanisation.
  - (B) Increased life expectancy, increasing infant mortality, and increasing income equality between urban and rural regions.
  - (C) Increased foreign investment, decreasing income equality between urban and rural regions, and increasing urbanisation.
  - (D) Increased foreign investment, falling reliance on ETM exports, and increasing urbanisation.

20. Complex tariff diagram



What is the effect of removing the tariff from this product?

- (A) Domestic producers' revenue decreases from \$1 500 to \$600, government tariff revenue is \$150 and the price falls to \$30.
- (B) Foreign producers' market sales increases from 15 to 30 units, government tariff revenue decreases to zero and the price falls to \$30.
- (C) Foreign producers' revenue increases from \$750 to \$1 200, price is maintained at \$40 due to the competitiveness of foreign producers, while government revenue falls to zero.
- (D) Prices fall from \$40 to \$30, foreign producers' revenue falls from \$1 600 to \$900 due to lower price level and domestic producers' market sales fall to 20 units.

**End of Section I**

**Section II – Short Answer**

**Total marks (40)**

**Questions 21 to 24 are compulsory**

Answer this question in the spaces provided on the paper

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**Question 21 (10 marks)**

(a) What is the human development index? **1**

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(b) Distinguish between economic growth and economic development. **2**

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(c) Outline the relationship between international trade and domestic development. **3**

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**Question 21 continues on page 10**

**Question 21 (10 marks)**

(d) Explain **ONE** advantage and **ONE** disadvantage of trade blocs.

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**End of Question 21**

**Question 22** (10 marks)

(a) What is an exchange rate?

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(b) Outline how the Australian dollar could appreciate on the trade weighted index and simultaneously depreciate against the United States dollar.

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(c) Describe the connection between the official interest rate and the exchange rate for the Australian dollar.

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**Question 22 continues on page 12**

**Question 22** (continued)

- (d) Explain the effects of a sustained appreciation of the Australian dollar on inflation and unemployment.

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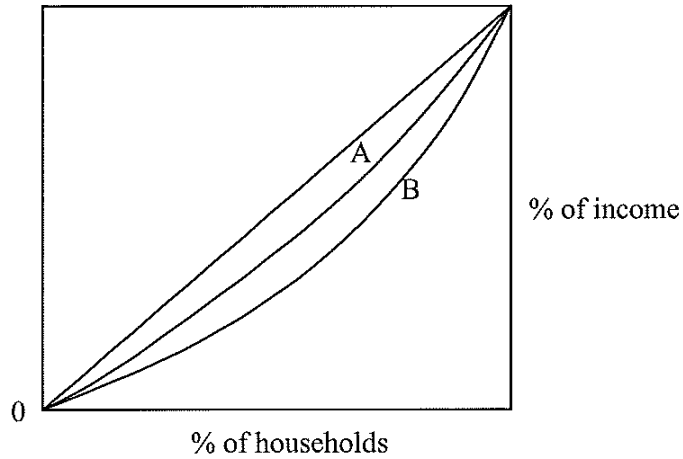
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**End of Question 22**

**Question 23** (10 marks)



- (a) Identify the Lorenz Curve that indicates a more equal distribution of income. **1**

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- (b) What does an increase in the Gini coefficient indicate? **1**

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- (c) Outline **ONE** advantage of an unequal distribution of income. **2**

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- (d) Outline **ONE** economic consequence of poverty. **2**

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**Question 23 continues on page 14**

**Question 23** (continued)

- (e) Explain how the introduction of a carbon tax without any exemptions or compensation would affect the distribution of income?

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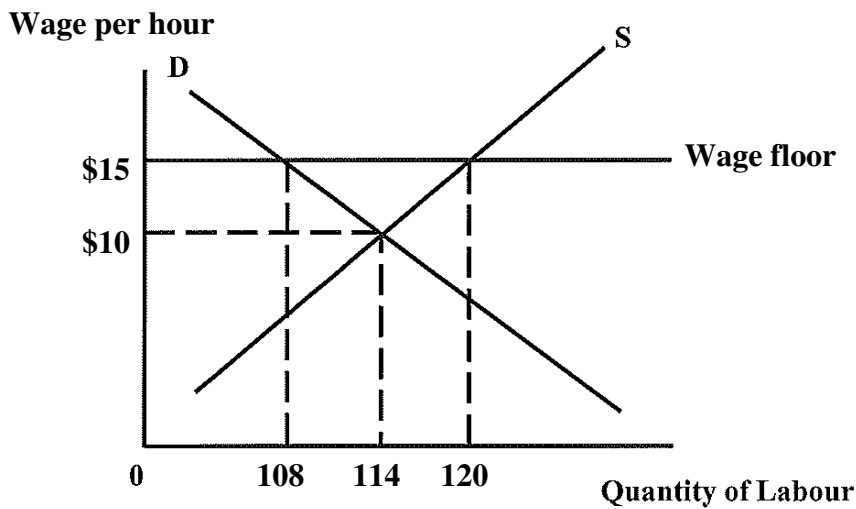
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**End of Question 23**



**Question 24** (10 marks)

**Labour market diagram**



- (a) Calculate the rate of unemployment at wage \$15 per hour. 1

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- (b) Outline **ONE** reason why wages would be at \$15 per hour rather than at equilibrium, in the long run. 2

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- (c) Outline the role of Fair Work Australia. 2

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**Question 24 continues on page 16**

**Question 24** (continued)

(d) Explain **ONE** advantage and **ONE** disadvantage of increased labour market flexibility. **5**

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**End of Section II**

### Section III – Stimulus Essay

**Total marks (20)**

**Answer either Question 25 OR 26 on the paper provided**

Your answer to Question 25 OR 26 will be assessed on how well you:

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

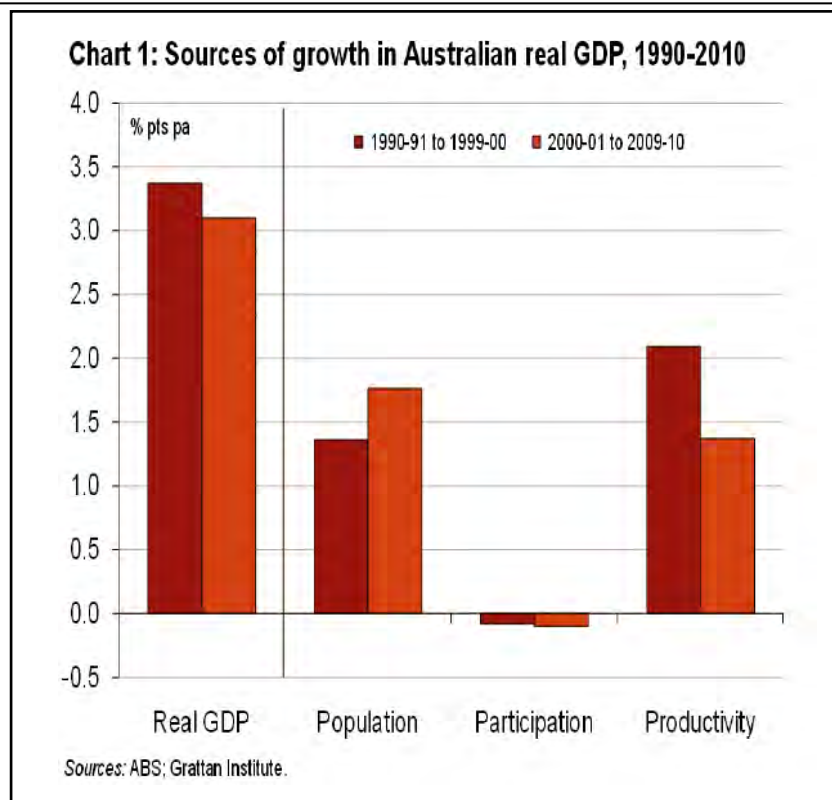
### **EITHER**

**Question 25 (20 marks)**

Explain the causes and effects of structural change on the Australian economy.

Productivity enhancing reform is so crucial to our economic (and social) futures because productivity growth itself - the ability to get more out of a country's resources - is the mainstay of economic progress. Growth in labour productivity accounted for around 80% of the growth in per capita incomes of Australians over the past four decades, with 'multifactor' productivity (which abstracts from the growth effects of increasing capital) accounting for about 40% of that. .... If (labour) productivity growth could just get back to the long run average rate of 1.75 per cent that preceded the 2004-2008 cycle, rather than 1.6 per cent assumed in Treasury's Inter-generational Report, then per capita incomes would be 6 per cent higher by 2050.

**Gary Banks, Chairman, Productivity Commission, December, 2010.**



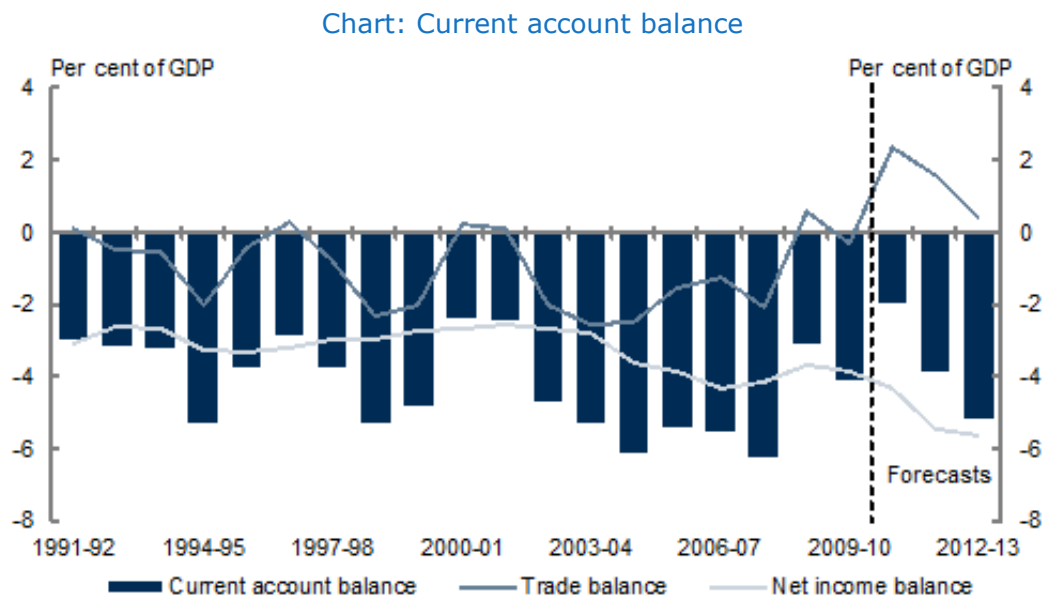
OR

**Question 26** (20 marks)

Explain the policies available to the Australian government to achieve greater external stability.

The current account deficit is expected to widen to 4 per cent of GDP in 2011-12 and to 5¼ per cent of GDP in 2012-13, as non-rural commodity prices fall slightly and import volumes increase strongly. From a saving and investment perspective, the widening of the current account deficit reflects the expected increase in national investment, driven by record high capital expenditure intentions in the mining sector. National saving will be supported by the Australian Government's fiscal consolidation and an expectation that household saving will remain elevated.

**Source: 2011/12 Commonwealth Budget**



**Source: ABS cat. no. 5206.0 and 5302.0 and Treasury.**

**End of Section III**

## **Section IV Essay**

**Total marks (20)**

**Answer either Question 27 or 28 on the paper provided**

**Answer this question on the paper provided**

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Your answer to Question 27 OR 28 will be assessed on how well you:

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

**Question 27** (20 marks)

Discuss how globalisation has affected Australia and one other economy that you have studied.

**OR**

**Question 28** (20 marks)

Discuss the factors influencing the international competitiveness of Australian industry.

**End of Section IV**

**End of Paper**



## ECONOMICS - Marking Criteria

### Section I – Multiple Choice

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

### Section II – Short Answer

#### Question 21 – 10 marks

Syllabus Outcomes tested – H1, H2, H4, H5, H7, H8, H10

Criteria	Mark
<p><b>a) What is the human development index?</b></p> <p>HDI is a commonly used indicator of economic development.</p> <p style="text-align: center;">EITHER / OR</p> <p>The United Nations calculate HDI by measuring three variables considered to be crucial for development (life expectancy at birth, adult literacy &amp; educational attainment and real GDP per capita income in PPP US dollars).</p>	<b>1</b>
No or inappropriate response	<b>0</b>
<p><b>b) Distinguish between economic growth and economic development.</b></p> <p>Economic growth refers to an increase in real GDP over time and is considered a quantitative concept, as it involves increased productive capacity in an economy. Economic development refers to a process of structural change needed in an economy for economic growth to occur. It is considered a qualitative process, as it involves the development of an economy's economic AND social infrastructure.</p>	<b>2</b>
Correctly defines one of the above concepts.	<b>1</b>
No or inappropriate response	<b>0</b>
<p><b>c) Outline the relationship between international trade and domestic development.</b></p> <p>Sketches in general terms that increases in international trade will lead to increased domestic employment and GDP growth. This can also lead to consumers, businesses and governments redirecting an increased amount of funds development within the economy. Distinction should be made between <i>short term</i> and <i>longer term effects</i> in the economy. Specialisation would occur in the longer term and would hopefully act to counter any short term effect on unemployment and international trade decline. Structural change may also be mentioned.</p>	<b>3</b>
Response as above. However, completed with less development on longer term relationship and less appropriate terminology used.	<b>1-2</b>
No or inappropriate response.	<b>0</b>

Criteria	Mark
<p><b>d) Explain ONE advantage and ONE disadvantage of trade blocs.</b></p> <p>2 marks for each clear advantage and disadvantage. Respondent <i>may only include one</i> of each.</p> <p>Advantages could include: formation of a free trade area or a common market, growing regional and industry trade within member countries, specialisation of industries within the country.</p> <p>Disadvantages could include: exploitation of one country by another in the bloc, retaliation by non member countries if protection is enforced, removing protection to member countries may cause a structural shift leading to unemployment in the short term.</p>	<b>3-4</b>
<p>Respondent only relates cause and effect to either an advantage or a disadvantage.</p> <p style="text-align: center;"><b>OR</b></p> <p>Respondent outlines an advantage and a disadvantage.</p>	<b>1-2</b>
<p>No or inappropriate response</p>	<b>0</b>

**Question 22 – 10 marks**

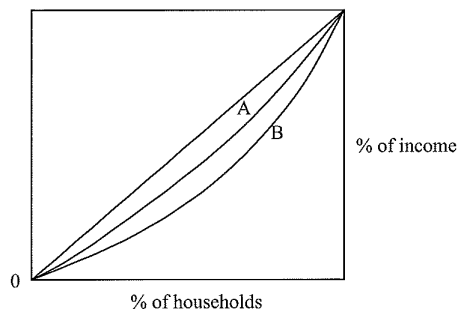
Syllabus Outcomes tested – H1, H2, H4, H7, H8, H10

Criteria	Mark
<p><b>a) What is an exchange rate?</b> It is the price (or value) of one currency quoted in terms of another currency (or gold) and is a measure of relative value or purchasing power.</p>	<b>1</b>
No or inappropriate response.	<b>0</b>
<p><b>b) Outline how the Australian dollar could appreciate on the trade weighted index and simultaneously depreciate against the United States dollar.</b> Sketch in general terms the difference between the calculation of the <i>TWI</i> and a <i>bilateral exchange rate calculation</i>. The TWI gives a <i>more accurate</i> representation of the AUD's purchasing power than a singular bilateral measurement – as the AUD may have depreciated against the US\$, the AUD may have appreciated against most other trading partners. TWI measures movements in the AUD against a 'basket' of currencies made up of approx 23 of Australia's trading partners (the number of partners / currencies must account for at least 90% of Australia's overall trade).</p>	<b>2</b>
Respondent may only define the TWI OR give a brief response to the scenario described in the question.	<b>1</b>
No or inappropriate response.	<b>0</b>
<p><b>c) Describe the connection between the official interest rate and the exchange rate for the Australian dollar.</b> Give the characteristics of the sequence of events that may occur between a change in the official interest rate and a resulting change in the AUD. The relationship is as follows: the increase in official interest rates may lead to an appreciation in the AUD. This may reflect increased confidence in the Aust economy. This will ultimately lead to more investors seeking a higher return or yield (depending on rate differential). This increased interest rate may be a reflection of strong growth figures or forecasts in Australia, which may encourage overseas investors. NB: the same sequence may occur for a DECREASE in official interest rates and a DEPRECIATION in the exchange rate for the AUD.</p>	<b>3</b>
Response as above. However, completed with less development on the connection between the terms and less appropriate terminology used.	<b>1-2</b>
No or inappropriate response.	<b>0</b>
<p><b>d) Explain the effects of a sustained appreciation of the Australian dollar on inflation and unemployment.</b> 2 marks for each effect resulting from a sustained appreciation of the AUD. Relates the cause and effect of a SUSTAINED appreciation of the AUD on the 2 issues. Answers may include: - exports become more expensive over time affecting employment in some inefficient industries - increased terms of trade affecting employment (and BOGS) - inflation decreases and the overall cost of imports decreases - lower import prices → increase real incomes → improvement of living standards → increased AD and employment - structural change in Australia's industries (move to more efficient producers and increased employment in the long term through specialisation of labour)</p>	<b>3-4</b>
Respondent only relates cause and effect to either inflation or unemployment. OR Respondent sketches in general terms an effect on both inflation and / or unemployment.	<b>1-2</b>
No or inappropriate response.	<b>0</b>



**Question 23 – 10 marks**

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

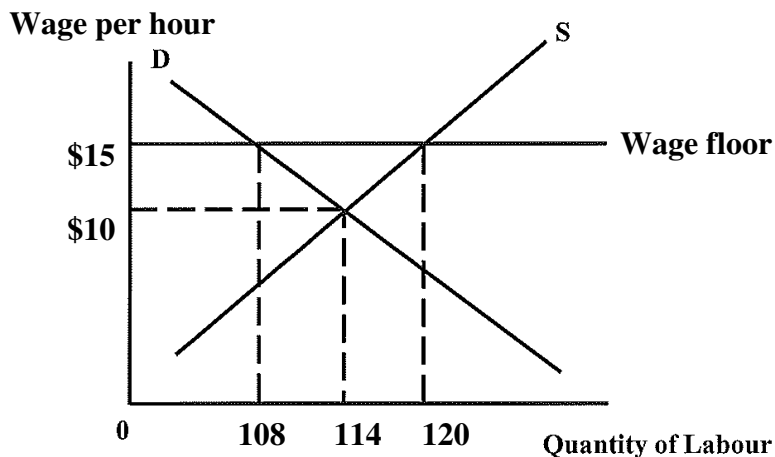


Criteria	Mark
<p><b>a) Identify the Lorenz Curve that indicates a more equal distribution of income.</b></p> <p>1 mark for correctly identifying curve A.</p>	<b>1</b>
No or inappropriate response	<b>0</b>
<p><b>b) What does an increase in the Gini coefficient indicate?</b></p> <p>1 mark for correctly indicating increased inequality or decreased equality of income distribution</p>	<b>1</b>
No or inappropriate response	<b>0</b>
<p><b>c) Outline ONE advantage of an unequal distribution of income.</b></p> <p>Correctly sketches in general terms one of the following associated with the ‘incentive effect’ on workers and entrepreneurs.                      Employees will work harder to achieve higher wages and other rewards. This may lead to higher output (GDP), productivity and less waste; it may encourage people to increase their education or skill levels to gain higher incomes which creates a more productive and flexible labour force; it may encourage entrepreneurs to take risk and invest in profit seeking ventures which can increase output, innovation and employment.</p>	<b>2</b>
Identifies one of the above.	<b>1</b>
No or inappropriate response.	<b>0</b>
<p><b>d) Outline ONE economic consequence of poverty.</b></p> <p><b>NB – student must focus on the economic, not social consequences of poverty.</b>                      Correctly sketches in general terms one of the following –                      Lower levels of consumption and hence utility; higher public sector spending on welfare benefits leading to an opportunity cost of reduced expenditure in other sectors of the economy – this can lead to higher fiscal deficits and possible increases in the tax burden to finance these welfare payments.</p>	<b>2</b>
Brief reference to one of the above.	<b>1</b>
No or inappropriate response.	<b>0</b>

Criteria	Mark
<p>e) <b>Explain how the introduction of a carbon tax without any exemptions or compensation would affect the distribution of income?</b></p> <p>Correctly relates cause and effects of the introduction of this tax on the distribution of income.</p> <p>Possible answers could include –</p> <p>The carbon tax is <i>regressive</i> in nature ie: tax will impact equally on people earning different levels of income. As a result, the lower income earners will require a greater proportion of their income to pay the tax than higher income earners. This will lead to an increase in income inequality, or</p> <p>Carbon tax may reduce the profitability of some industries which may lead to structural change, reductions in demand for some labour, higher unemployment and possible higher structural or long term unemployment causing a further increase in income inequality.</p>	<p><b>3-4</b></p>
Description of a carbon tax and/or brief reference to impacts on the distribution of income.	<p><b>1-2</b></p>
No or inappropriate response.	<p><b>0</b></p>

**Question 24 – 10 marks**

**Syllabus Outcomes tested – H1, H2, H5, H7, H8, H10, H11**



Criteria	Mark
<p><b>a) Calculate the rate of unemployment at wage \$15 per hour.</b> Correctly identifies unemployment as 10%</p>	<b>1</b>
No or inappropriate response	<b>0</b>
<p><b>b) Outline ONE reason why wages would be at \$15 per hour rather than at equilibrium, in the long run.</b> Briefly sketches ONE of:</p> <ul style="list-style-type: none"> <li>a. Minimum wage legislation</li> <li>b. Sticky wages and prices</li> <li>c. Trade union monopoly power</li> </ul>	<b>2</b>
Identifies one characteristic of one of the above 3 possibilities	<b>1</b>
No or inappropriate response	<b>0</b>
<p><b>c) Outline the role of Fair Work Australia.</b> Sketches in general terms Fair Work Australia as the national workplace relations tribunal, i.e. centralised industrial relations authority and mentions at least 2 of the following functions: safety net of minimum wages and employment conditions, enterprise bargaining, industrial action, dispute resolution, termination of employment and other workplace matters (mentions at least 2 of these roles or 3 roles w/o stating the idea of centralised authority/national tribunal).</p>	<b>2</b>
Identifies only one function AND centralisation OR 2 functions	<b>1</b>
No or inappropriate response	<b>0</b>
<p><b>d) Explain ONE advantage and ONE disadvantage of increased labour market flexibility.</b> 2 OR 3 marks for the advantage and for the disadvantage – max. 5 marks Advantage: candidates showing cause/effect link between wages adjusting to market conditions leading to [ONE of] lower unemployment rates, improved productivity and greater dynamic efficiency/potential for structural change. Disadvantage: candidates show cause/effect link between decentralised wage fixation and [ONE of] economic justice/wage justice/fair income distribution OR lengthy dispute resolution/industrial conflict</p>	<b>4-5</b>
Identifies an advantage OR disadvantage OR outlines/describes an advantage AND disadvantage	<b>2-3</b>
Identifies an advantage AND a disadvantage = 1 mark; inappropriate or no response = 0	<b>1</b>
Inappropriate or no response = 0	<b>0</b>

**Question 25**

**Explain the causes and effects of structural change on the Australian economy.**

**Syllabus Outcomes tested – H1, H2, H4, H7, H8, H9, H10, H11**

<b>Required knowledge, understanding and skills</b>	<b>Mark</b>
<ul style="list-style-type: none"> <li>• Provides clear and comprehensive causes and effects of structural change on the Australian economy</li> <li>• Interprets and synthesises stimulus material and own knowledge effectively into response</li> <li>• Integrates extensive and relevant economic terms, concepts, relationships and theory</li> <li>• Presents a sustained, logical and cohesive response</li> </ul>	<b>17 – 20</b>
<ul style="list-style-type: none"> <li>• Provides some causes and effects of structural change on the Australian economy</li> <li>• Interprets and synthesises some stimulus material and own knowledge into response</li> <li>• Integrates some relevant economic terms, concepts, relationships and theory</li> <li>• Presents a logical and cohesive response</li> </ul>	<b>13 – 16</b>
<ul style="list-style-type: none"> <li>• Sketches in general terms causes and/or effects structural change on the Australian economy</li> <li>• Demonstrates some understanding and incorporates limited stimulus material into the response</li> <li>• Applies some economic terms, concepts and relationships</li> <li>• Presents a coherent response</li> </ul>	<b>9 – 12</b>
<ul style="list-style-type: none"> <li>• Makes general statements about structural change</li> <li>• Incorporates little stimulus material into the response</li> <li>• Uses some economic terms and concepts</li> <li>• Presents a limited response</li> </ul>	<b>5 – 8</b>
<ul style="list-style-type: none"> <li>• Makes general reference to structural change</li> <li>• Incorporate no stimulus material into response</li> <li>• Uses few economic terms and concepts</li> <li>• Presents a brief and limited response</li> </ul>	<b>1 – 4</b>
	<b>/20</b>

**Possible content could include –**

- Response considers both government induced and market induced causes of structural change.
- Government induced causes include – application of national competition principles, reductions in industry protection, privatisation, commercialisation, corporatisation, labour market reforms, reforms to the tax system, creation of bilateral trade agreements.
- Market induced causes include – supply side changes such as impact of technological change, changing composition of the labour force; and demand side changes such as changes to the pattern of consumer demand, increased integration into the global economy, changing direction of trade, increasing importance of the services sector as a proportion of GDP.
- Effects of structural change include – *reallocation of resources* ie: land, labour, capital and enterprise shifting from one industry to another. This may create structural unemployment and new employment opportunities in emerging industries. Contemporary Australian examples and data should be used to support these statements.
- Redistribution of income – as a result of the reallocation of resources, a redistribution of income will occur. Industry sectors may experience falling wages and emerging industries will experience increases in incomes. This income inequality may be focussed in specific industries or regions. Contemporary Australian examples and data should be used to support statements.
- The changing composition of exports, imports, industry/sector contributions to GDP should be reinforced.

## Question 26

Explain the policies available to the Australian government to achieve greater external stability.

Syllabus Outcomes tested – H1, H2, H4, H6, H8, H9, H10, H11

Required knowledge, understanding and skills	Mark
<ul style="list-style-type: none"> <li>• Demonstrates a detailed understanding of external stability</li> <li>• Provides a clear, comprehensive and balanced understanding of the macroeconomic <i>and</i> microeconomic policies available to achieve greater external stability</li> <li>• Interprets and synthesises stimulus material and own knowledge effectively into response</li> <li>• Integrates extensive and relevant economic terms, concepts, relationships and theory</li> <li>• Presents a sustained, logical and cohesive response</li> </ul>	17 – 20
<ul style="list-style-type: none"> <li>• Demonstrates an understanding of external stability</li> <li>• Provides a sound understanding of the macroeconomic and microeconomic policies available to achieve greater external stability, <i>OR</i></li> <li>• Provides a clear, comprehensive and balanced understanding of the <i>EITHER</i> macroeconomic or microeconomic policies available to achieve greater external stability</li> <li>• Interprets and synthesises some stimulus material and own knowledge into response</li> <li>• Integrates some relevant economic terms, concepts, relationships and theory</li> <li>• Presents a logical and cohesive response</li> </ul>	13 - 16
<ul style="list-style-type: none"> <li>• Demonstrates an understanding of external stability</li> <li>• Sketches in general terms macroeconomic and/or microeconomic policies available to achieve greater external stability</li> <li>• Demonstrates some understanding and incorporates limited stimulus material into the response</li> <li>• Applies some economic terms, concepts and relationships</li> <li>• Presents a coherent response</li> </ul>	9 – 12
<ul style="list-style-type: none"> <li>• Makes brief reference to external stability and policies to achieve greater external stability</li> <li>• Incorporates little stimulus material into the response</li> <li>• Uses some economic terms and concepts</li> <li>• Presents a limited response</li> </ul>	5 – 8
<ul style="list-style-type: none"> <li>• Makes general reference to external stability or economic policy</li> <li>• Incorporate no stimulus material into response</li> <li>• Uses few economic terms and concepts</li> <li>• Presents a brief and limited response</li> </ul>	1 - 4
	<b>/20</b>

## Possible content could include –

- Response should provide a detailed outline of the term external stability. This would include the use of terms such as – Balance of payments, current account, balance on goods and services, net income, net current transfers, current account deficit, capital account, financial account, capital and financial account surplus, foreign debt, foreign investment (direct and portfolio), net foreign liabilities
- Students should explain how external stability is measured – CAD, Net Foreign Liabilities
- An outline of the cyclical and structural causes of the CAD
- Data and trends in Australia's CAD, BOGS, net income and net foreign liabilities

(See over)

- Macroeconomic policies to address external stability –

**Fiscal policy** – The twin deficit theory  $CAD = (I-S) + (G-T)$ , the relationship between private sector savings and investment, the Budget outcome and CAD.

The policy of compulsory superannuation to address the private sector savings and investment gap. (See over)

- **Microeconomic policies** to address external stability – various microeconomic reform policies (competition policy, tariff reforms, labour market reforms, trade policy in terms creation of free trade agreements etc) and the associated improvements in efficiency, productivity and international competitiveness. The possible impact of this increased international competitiveness and higher incomes export and import demand and BOG's.
- Students may refer to **monetary policy** and its use to maintain an appropriate level of inflation to support Australia's export competitiveness. However, the perverse effects of any movement in interest rates on exchange rates and therefore BOGS and net income balances would need to be highlighted.
- References from the stimulus should be incorporated

**QUESTION 27 –**

**Discuss how globalisation has affected Australia and one other economy that you have studied.**

**Syllabus outcomes tested – H1, H3, H4, H7, H8, H9, H10, H11**

<b>Required knowledge, understanding and skills</b>	<b>Mark</b>
<ul style="list-style-type: none"> <li>Detailed communication that provides the positive and negative effects of globalisation on the Australian economy <i>and</i> another economy</li> <li>Extensive use of mathematical concepts</li> <li>Statements are well supported by economic data</li> <li>Integrates extensive and relevant economic terms, concepts and relationships</li> <li>Presents a sustained, logical and cohesive response</li> </ul>	<b>17 – 20</b>
<ul style="list-style-type: none"> <li>Communicates the positive and/or negative effects of globalisation on the Australian economy and another economy</li> <li>Extensive use of mathematical concepts</li> <li>Statements are well supported by some economic data</li> <li>Extensive use of economic terms, concepts and relationships with respect to the globalisation of the Australian economy and another economy</li> <li>Presents a logical and cohesive response</li> </ul>	<b>13 - 16</b>
<ul style="list-style-type: none"> <li>Sketches in general terms the positive and/or negative effects of globalisation on the Australian economy and another economy</li> <li>Some use of mathematical concepts</li> <li>Statements are supported by some economic data</li> <li>Applies some economic terms, concepts and relationships</li> <li>Presents a cohesive response</li> <li>NB: a candidate that fulfils the Band 6 criteria but only discusses the Australian economy OR another economy will be capped at 12/20</li> </ul>	<b>9 - 12</b>
<ul style="list-style-type: none"> <li>Sketches in general terms some of the positive and/or negative effects of globalisation on the Australian economy and/or another economy</li> <li>May use mathematical concepts</li> <li>Statements are supported by little economic data</li> <li>Applies little economic terms, concepts and relationships</li> <li>Presents a limited response</li> </ul>	<b>5 - 8</b>
<ul style="list-style-type: none"> <li>Makes brief reference to globalisation</li> <li>Presents a brief and disjointed response</li> </ul>	<b>1 - 4</b>
	<b>/20</b>

**Possible content could include –**

Some relevant ideas/concepts:

- Economic development
- Economic growth
- Inflation
- Unemployment
- Absolute and comparative advantage
- Trade and balance of payments
- Access to foreign markets
- International institutions: APEC, IMF, WTO, etc.

(See over)

- HDI
- Life expectancy
- Infant mortality
- Gini coefficient
- National income
- Multiplier effect
- Structural change
- Poverty
- Urban/rural divide
- Economic policies
- Exchange rate policy
- Foreign investment
- Remittance of profits to foreign investors
- Infrastructure
- Banking policies
- ETMs
- STMs
- Food security and food price inflation
- Environmental sustainability
- Externalities – air and water pollution, deforestation

**SECTION IV: EXTENDED RESPONSE**

**STUDENT No:** \_\_\_\_\_



**QUESTION 28 –****Discuss the factors influencing the international competitiveness of Australian industry.****Syllabus outcomes tested - H1, H2, H3, H4, H7, H8, H9, H10, H11**

<b>Required knowledge, understanding and skills</b>	<b>Mark</b>
<ul style="list-style-type: none"> <li>Detailed communication of the determinants of Australian industries' international competitiveness</li> <li>Extensive use of mathematical concepts</li> <li>Statements are well supported by economic data</li> <li>Integrates extensive and relevant economic terms, concepts, relationships and theory</li> <li>Presents a sustained, logical and well structured response</li> </ul>	<b>17 – 20</b>
<ul style="list-style-type: none"> <li>Communicates the determinants of Australian industries' international competitiveness</li> <li>Extensive use of mathematical concepts</li> <li>Statements are supported by some economic data</li> <li>Extensive use of economic terms, concepts and relationships with respect to the international competitiveness of Australian industry</li> <li>Presents a well structured response</li> </ul>	<b>13 - 16</b>
<ul style="list-style-type: none"> <li>Sketches in general terms the determinants of Australian industries' international competitiveness</li> <li>Some use of mathematical concepts</li> <li>Statements are supported by some economic data</li> <li>Some use of economic terms, concepts and relationships with respect to the international competitiveness of Australian industry</li> <li>Presents a structured response</li> </ul>	<b>9 - 12</b>
<ul style="list-style-type: none"> <li>Sketches in general terms some of the determinants of Australian industries' international competitiveness</li> <li>May use of mathematical concepts</li> <li>Statements are supported by little economic data</li> <li>May use some economic terms, concepts and relationships</li> <li>Presents a limited response</li> </ul>	<b>5 - 8</b>
<ul style="list-style-type: none"> <li>Makes brief reference to international competitiveness</li> <li>Statements are generally not supported by economic data</li> <li>Presents a disjointed and inadequate response</li> </ul>	<b>1 - 4</b>
	<b>/20</b>

**Possible content could include –**

- Absolute and comparative advantage
- Economic efficiency
- Allocative efficiency/social optimum
- Productive efficiency/technical optimum
- Profit maximisation
- Multifactor productivity
- Labour productivity
- Wage costs

(See over)

- Costs of production
- Transport costs
- Trade protection/removal of protection
- Trade blocs
- Access to foreign markets
- International institutions: APEC, IMF, WTO, etc.
- Structural change
- Economic policies
- Exchange rate policy
- Sustained appreciation of the AUD
- Foreign investment
- Infrastructure
- ETMs
- STMs
- Externalities – air and water pollution, deforestation