Student Number _____

ABBOTSLEIGH

2017

TRIAL HIGHER SCHOOL CERTIFICATE

Economics

General Instructions

- Write your Student Number at the top of this page.
- Write using black or blue pen. Black pen is preferred
- Board approved calculators can be used.

TOTAL MARKS – 100
WEIGHTING - 30%
TIME ALLOWED - 3 hours and 5 minutes reading time

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 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 provided.

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

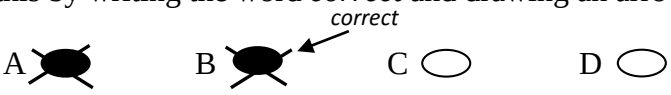
Sample 2 + 4 = (A) 2 (B) 6 (C) 8 (D) 9

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 have changed 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:



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1. The scaling back of the automobile industry will create which type of unemployment?

   (A) Cyclical unemployment
   (B) Seasonal unemployment
   (C) Frictional unemployment
   (D) Structural unemployment

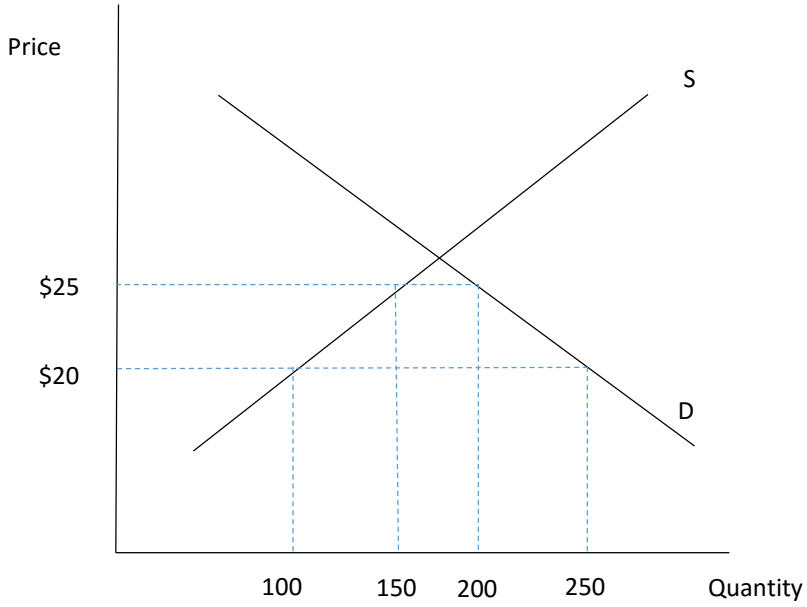
2. How and why would the Reserve Bank of Australia intervene to depreciate the Australian dollar?

   (A) Buy Australian dollars to reduce the inflationary effect of a high dollar
   (B) Increase interest rates to encourage more foreign investment
   (C) Sell Australian dollars to make imports less competitive
   (D) Encourage banks to tighten their lending standards on investment loans to discourage housing speculation

3. In which year was the highest rate of inflation experienced?

	Year	*CPI*
(A)	1	120
(B)	2	125
(C)	3	130
(D)	4	135

Use this diagram to answer question 4 below. The diagram shows the effect of removing a $5 tariff on a good for which the world price is $20 per unit.



4. How much revenue would be lost if this tariff was removed?

	Australian Producer revenue	*Government revenue*
(A)	$1750	$250
(B)	$2000	$250
(C)	$3000	$750
(D)	$3750	$750

5. Refer to the following table to answer the question below.

Year	***Import Price Index***	***Export Price Index***
1	100	105
2	112	110
3	115	125
4	120	128

In which year were fewer exports required to pay for the same volume of imports?

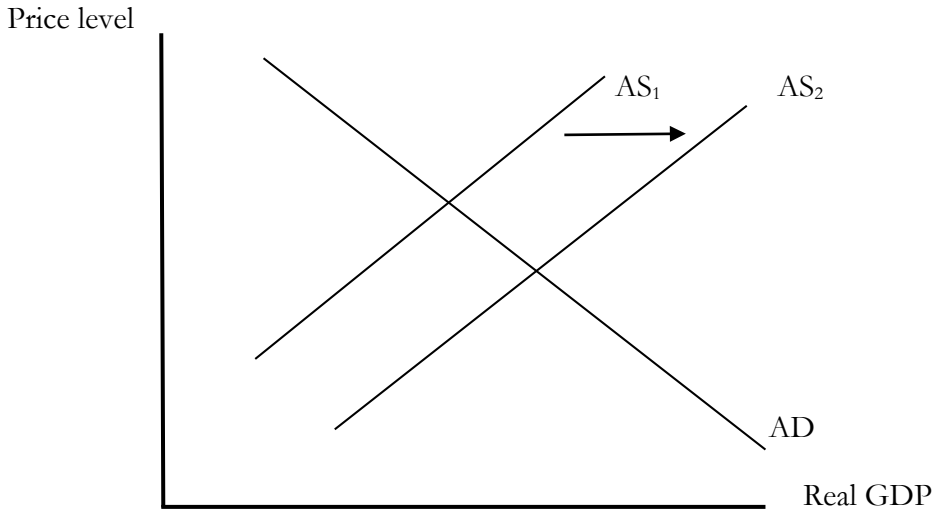
(A) Year 1

(B) Year 2

(C) Year 3

(D) Year 4

6. In the following diagram, what could have caused the aggregate supply curve for a country to move from AS_1 to AS_2?



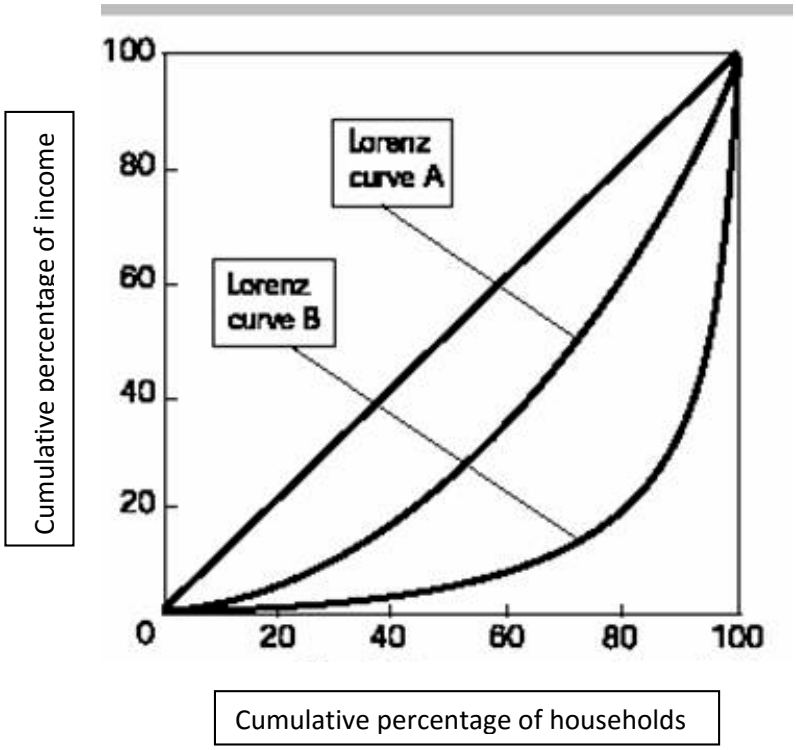
(A) An increase in wages

(B) A decrease in immigration levels

(C) An increase in consumer spending

(D) An increase in infrastructure spending by the government

Use the diagram below to answer Question 7:



7. What could be a cause of a shift of the Lorenz curve A to Lorenz curve B and how would this affect the Gini Coefficient.

	Cause of Movement in Lorenz Curve	Gini Coefficient
(A)	An increase in indirect taxes	Increase
(B)	A reduction in personal income taxes for high income earners	Decrease
(C)	An increase in the tax free threshold	Decrease
(D)	A reduction in the amount that workers can salary sacrifice into superannuation	Increase

8. How would the purchase of shares in a U.S. company by an Australian investor be recorded in Australia's Balance of Payments?

(A)	Capital Account	Debit
(B)	Financial Account	Debit
(C)	Primary Income Account	Debit
(D)	Capital Account	Credit

9. Which of the following is an advantage of moving from a fixed exchange rate to a floating exchange rate?

(A) Export prices will be less volatile

(B) The Reserve Bank can keep large amounts of foreign reserves to maintain the exchange rate at a pre-determined value

(C) Global economic conditions have less influence on the value of the Australian dollar

(D) Monetary policy conducted by the Reserve Bank becomes more effective

10. The table below shows selected data for a hypothetical economy.

Year	***GNI at PPP ($M)***	***Literacy Level (% of population)***	***Mortality Rate (per 1000)***	***Consumer Price Index (CPI)***	***Population Growth %***
2007	7,200	75	80	120	4
2017	9,100	82	40	140	4

According to the table which statement correctly describes what this economy has experienced over the last decade?

(A) A decrease in real GNI and a decline in living standards

(B) A decrease in real GNI and improved living standards

(C) An increase in real GNI and improved living standards

(D) An increase in real GNI and a decline in living standards

11. Which of the following has resulted in a slowdown in the process of globalisation?

(A) A rise in global protectionist sentiment

(B) An increase in the number of transnational corporations

(C) An increase in the number of free trade agreements

(D) Increased volatility in global financial system due to currency speculation

Use the information below to answer Question 12

The table below shows employment data for an economy

	Year 1	***Year 2***
Full time workers	400,000	800,000
Part time workers	400,000	600,000
Unemployed workers	100,000	100,000
Working Age population	1,500,000	2,000,000

12. Based on the data, what is the change in the labour force participation rate between Year 1 and Year 2?

(A) 10%

(B) 15%

(C) 20%

(D) 25%

13. Other things being equal, what would be the likely effect on the Trade Weighted Index and Terms of Trade if China reduces demand for Australian exports?

	TWI	**Terms of Trade**
(A)	Decrease	Increase
(B)	Increase	Increase
(C)	Decrease	Decrease
(D)	Increase	Decrease

14. Which of the following would be an impact of a rise in Australian interest rates?

(A) Increased foreign capital outflow and an appreciation in the Australian dollar

(B) Increased foreign capital inflow and a depreciation in the Australian dollar

(C) Increased foreign capital inflow and an appreciation in the Australian dollar

(D) Increased foreign capital outflow and a depreciation in the Australian dollar

15. The following table shows selected data for an economy.

Real GDP ($b)	*Net foreign liabilities ($b)*	*Net foreign debt ($b)*
1800	800	500

What is the value of the net foreign equity as a percentage of real GDP?

(A) 16.7%

(B) 72.2%

(C) 62.5%

(D) 44.4%

16. If there was a decision by major supermarkets to discontinue using plastic bags, which of the following are likely impacts?

(A) An increase in social costs and a reduction in negative externalities

(B) An increase in private costs and an increase in negative externalities

(C) A decrease in social costs and a reduction in negative externalities

(D) A decrease in private costs and an increase in negative externalities

17. An increase in investment of $100b leads to an increase in national income of $400b. What is the marginal propensity to consume for this economy?

(A) 0.75

(B) 0.25

(C) 4

(D) 0.2

18. Which is the most appropriate macroeconomic policy mix if there was deflationary pressure in an economy?

(A) A decrease in taxation and the sale of government securities by the Reserve Bank
(B) A decrease in government spending and the sale of government securities by the Reserve Bank
(C) An increase in taxation and the purchase of government securities by the Reserve Bank
(D) An increase in government spending and the purchase of government securities by the Reserve Bank

19. Which of the following could be a disadvantage of having transnational corporations operating in an advanced economy?

(A) They engage in research and innovation to sell to global markets
(B) They undertake direct investment and transfer technology
(C) They engage in transfer pricing and shift profits to low income countries to avoid tax
(D) They create new employment opportunities and raise the skill of the workforce

20. The following shows balance of payments data for an economy with a floating exchange rate.

Item	***Value $b***
Exports	700
Imports	750
Net Primary Income	?
Net Secondary Income	70
Capital Account	80
Financial Account	300

What is the value of the Net Primary Income?

(A) $400b
(B) - $400b
(C) - $380b
(D) - $1900b

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.
- Extra writing space is provided on pages 18 and 19. If you use this space, clearly indicate what question you are answering.

Question 21 (10 marks)

a) Distinguish between a *trading bloc* and a *monetary union.* (2 marks)

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b) Explain the impact of the *World Trade Organisation* on the global economy. (3 marks)

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c) Analyse the likely impacts of the Australian government signing recent bilateral *Free Trade Agreements*. (5 marks)

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Question 22 (10 marks)

a) Define the term *Domestic Market Operations.* (1 mark)

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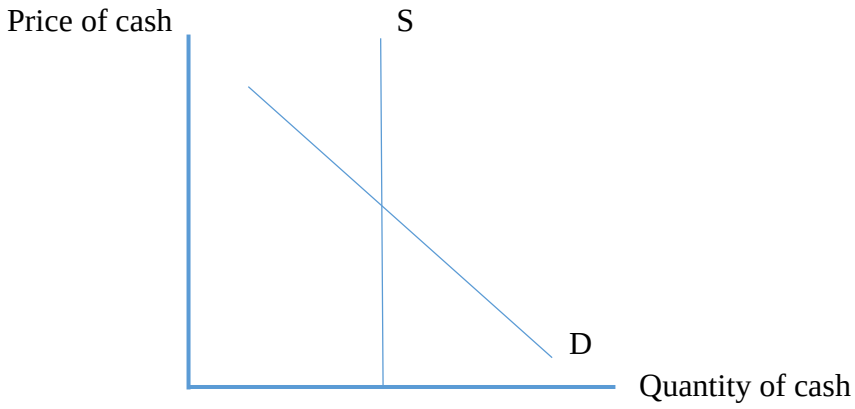
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b) Outline the process the Reserve Bank would take if it wanted to loosen monetary policy. Illustrate this action on the diagram. (3 marks)



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c) Explain the limitations of current monetary policy in achieving the Reserve Bank of Australia's objectives. (6 marks)

Question 23 (10 marks)

a) Define the term *market failure* and give an example. (2 marks)

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b) Explain how preserving the environment may conflict with TWO other government objectives in Australia. (4 marks)

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c) Analyse TWO policy options available to governments aimed at correcting market failure in relation to the environment. (4 marks)

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Question 24 (10 marks)

a) Define the term '*net foreign liabilities'*. (1 mark)

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b) Explain how a slowdown in a major trading partner's economy could impact both the current account and the capital and financial account in Australia. (4 marks)

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c) Assess some of the current challenges faced by an economy other than Australia in promoting economic growth and development. (5 marks)

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Section III

20 marks
Attempt EITHER Question 25 OR Question 26
Allow about 35 minutes for this section

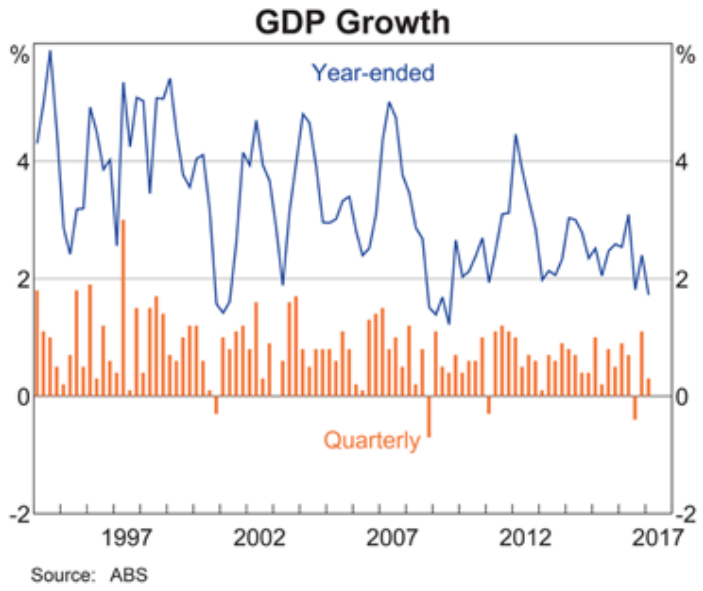
Answer the question in a SEPARATE writing booklet. Extra writing booklets are available.

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

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

Question 25 (20 marks)

Explain the domestic and global factors influencing Australia's current growth performance. Analyse the consequences of recent below trend growth on the economy.



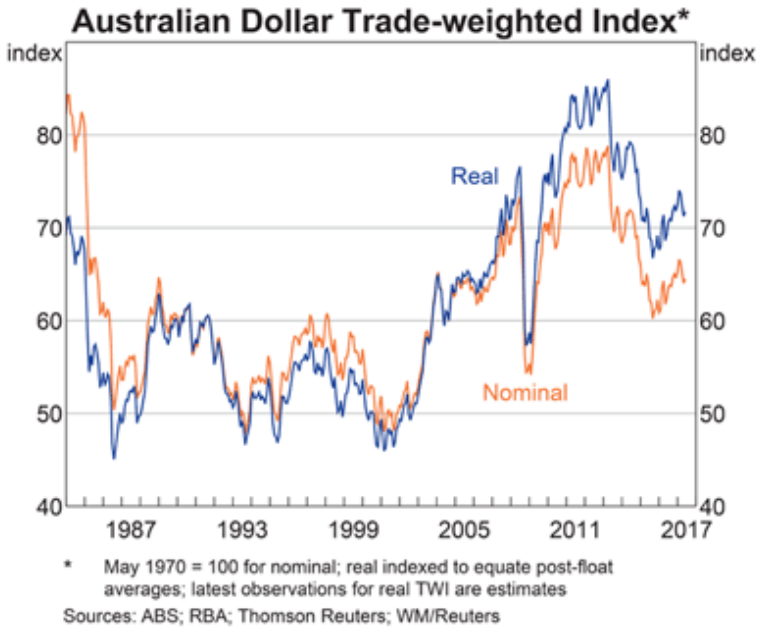
"Wage growth remains subdued in most countries, as does core inflation. Further increases in US interest rates are expected and there is no longer an expectation of additional monetary easing in other major economies. Financial markets have been functioning effectively and volatility has been low."

Statement by Philip Lowe, RBA Governor: Monetary Policy Decision 4 July 2017

OR

Question 26 (20 marks)

Analyse the causes and impacts of recent changes in Australia's exchange rate.



"The depreciation of the exchange rate since 2013 has also assisted the economy in its transition following the mining investment boom. An appreciating exchange rate would complicate this adjustment"

Statement by Philip Lowe, RBA Governor: Monetary Policy Decision 4 July 2017

Section IV

20 marks
Attempt EITHER Question 27 OR Question 28
Allow about 35 minutes for this section

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

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

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

Question 27 (20 marks)

Analyse causes of changes in Australia's external stability. Why is external stability not considered a major policy concern for the Australian government at present?

OR

Question 28 (20 marks)

Discuss the impact of globalisation on trade flows, distribution of global income and environmental sustainability.

END OF EXAMINATION

Marking Guidelines

Section 1: Multiple Choice Answers

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

Section 2: Short Answers

Question 21 (10 marks)

a) Distinguish between a *trading bloc* and a *monetary union.* (2 marks)

Correctly define Trading Bloc	1
Correctly defines Monetary Union	1

b) Explain the impact of the *World Trade Organisation* on the global economy. (3 marks)

- Settles trade disputes
- Has helped reduce global protection
- One other relevant point (eg. lack of progress with Doha)

c) Analyse the likely impacts of the Australian government signing recent bilateral *Free Trade Agreements*. (5 marks)

Provides a **detailed analysis** of impacts of the Australian government signing recent bilateral trade agreements. Example should be used	5
Provides a **general analysis** of impacts of the Australian government signing recent bilateral trade agreements	3-4
Provides a **limited analysis** of impacts of the Australian government signing recent bilateral trade agreements	1-2
Non attempt	0

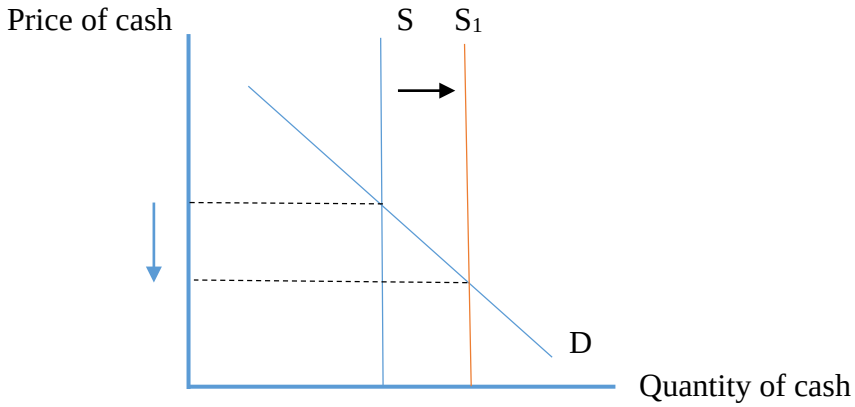
Should have positives/ negatives + detail about potential of a recent agreement
(eg. China /Japan/Korea)

Question 22 (10 marks)

a) Define the term *Domestic Market Operations.* (1 mark)

1 mark for correct definition

b) Outline the process the Reserve Bank would take if it wanted to loosen monetary policy. Illustrate this action on the diagram. (3 marks)



1 mark for moving the supply curve to the right

2 marks for outlining the correct process

c) Explain the limitations of current monetary policy in achieving the Reserve Bank of Australia's objectives. (6 marks)

Provides a **detailed explanation** of the limitations of current monetary policy in achieving the Reserve Bank of Australia's objectives.	**5-6**
Provides a **general explanation** of the limitations of current monetary policy in achieving the Reserve Bank of Australia's objectives.	**3-4**
Provides a **explanation** of the limitations of current monetary policy in achieving the Reserve Bank of Australia's objectives.	**1-2**
Non attempt	**0**

Question 23 (10 marks)

a) Define the term *market failure* and give an example. (2 marks)

Correctly define market failure	1 mark
Correct example given	1 mark

b) Explain how preserving the environment may conflict with TWO other government objectives in Australia. (4 marks)

Provides a **detailed explanation** of how preserving the environment may conflict with TWO other government objectives in Australia.	**4**
Provides a **detailed explanation** of how preserving the environment may conflict with ONE other government objective in Australia. and a **general explanation** of ONE objective	**3**
Provides a **general explanation** of how preserving the environment may conflict with TWO other government objectives in Australia.	**2**
Provides a **general explanation** of how preserving the environment may conflict with ONE other government objective in Australia.	**1**

Suggestions of conflicts could include:

Environment vs economic growth

Environment vs inflation

Environment vs income inequality

Environment vs external stability

Environment vs fiscal consolidation

Environment vs Unemployment

c) Analyse TWO policy options available to governments aimed at correcting market failure in relation to the environment. (4 marks)

Provides a **detailed analysis** of the TWO policy options available to governments aimed at correcting market failure in relation to the environment.	**4**
Provides a **detailed analysis** of the ONE policy option available to governments aimed at correcting market failure in relation to the environment and a **general analysis** of ONE policy option	**3**
Provides a **general analysis** of TWO policy options available to governments aimed at correcting market failure in relation to the environment.	**2**
Provides a **general analysis** of ONE policy option	**1**

Suggestions could include:

Market based policies like: carbon tax, ETS, Direct Action, excise on petrol, subsidised public transport

Regulations like: bans, fines, zoning laws,

Question 24 (10 marks)

a) Define the term '*net foreign liabilities*'. **(1 mark)**

1 mark for correct definition

b) Explain how a slowdown in a major trading partner's economy could impact both the current account and the capital and financial account in Australia. (4 marks)

Provides a **detailed explanation** how a slowdown in a major trading partner's economy could impact both the CURRENT ACCOUNT and CAPITAL & FINANCIAL ACCOUNT	**4**
Provides a **detailed explanation** of how a slowdown in a major trading partner's economy could impact either the CURRENT ACCOUNT or CAPITAL & FINANCIAL ACCOUNT then a **general analysis** of the other account.	**3**
Provides a **general analysis** of how a slowdown in a major trading partner's economy could impact both the CURRENT ACCOUNT and CAPITAL & FINANCIAL ACCOUNT	**2**
Provides a **general analysis** of how a slowdown slow down in a major trading partner's economy could impact ONE of the accounts.	**1**

c) **Assess some of the current challenges faced by an economy other than Australia in promoting economic growth and development.** **(5 marks)**

Provides a **detailed assessment** of the current challenges faced by an economy other than Australia in promoting economic growth and development.	**5**
Provides a **general analysis** of **assessment** of the current challenges faced by an economy other than Australia in promoting economic growth and development.	**3-4**
Provides a **limited analysis** of **assessment** of the current challenges faced by an economy other than Australia in promoting economic growth and development.	**1-2**
Non attempt	**0**

Section III

Question 25 (20 marks)

Explain the domestic and global factors influencing Australia's current growth performance. Analyse the consequences of recent below trend growth on the economy.

Criteria	Mark
• Integrates relevant economic terms, concepts, relationships and theories • Integrates both the data and quote from the stimulus into response • Provides a sustained, logical and cohesive response • Demonstrates a clear and comprehensive understanding of the domestic and global factors influencing Australia's current growth performance • Demonstrates a clear and comprehensive understanding of the consequences of below trend growth on the economy	17-20
• Applies relevant economic terms, concepts, relationships and theories • Includes either the data or quote from the stimulus into response • Provides a logical and cohesive response • Demonstrates a sound understanding of the domestic and global factors influencing Australia's current growth performance • Demonstrates a sound understanding of the consequences of below trend growth on the economy	13-16
• Uses economic terms and concepts, and shows some relationships • Does not include stimulus • Develops a coherent response • Outlines some of the domestic and global factors influencing Australia's current growth performance • Outlines some of the consequences of below trend growth on the economy	9-12
• Develops a generalised response • Uses some economic terms or concepts • Sketches some of the domestic and global factors influencing Australia's current growth performance • Sketches some of the consequences of below trend growth on the economy	5-8
• Presents a limited response • May attempt to use some economic terms • Attempts to address the issue of Australia's current growth performance	1-4

Question 26 (20 marks)

Analyse the causes and impacts of recent changes in Australia's exchange rate.

Criteria	Mark
• Integrates relevant economic terms, concepts, relationships and theories • Integrates both the data and quote from the stimulus into response • Provides a sustained, logical and cohesive response • Demonstrates a clear and comprehensive understanding of the main causes of recent changes in Australia's exchange rate • Demonstrates a clear and comprehensive understanding of impacts of recent changes in the exchange rate	17-20
• Applies relevant economic terms, concepts, relationships and theories • Includes either the data or quote from the stimulus into response • Provides a logical and cohesive response • Demonstrates a sound understanding of recent changes in Australia's exchange rate • Demonstrates a sound understanding of impacts of recent changes in the exchange rate	13-16
• Uses economic terms and concepts, and shows some relationships • Does not include stimulus • Develops a coherent response • Outlines some of recent changes in Australia's exchange rate • Outlines some of impacts of recent changes in the exchange rate	9-12
• Develops a generalised response • Uses some economic terms or concepts • Sketches some of the causes of recent changes in Australia's exchange rate • Sketches some of the impacts of recent changes in the exchange rate	5-8
• Presents a limited response • May attempt to use some economic terms • Attempts to address the issue causes of changes in the exchange rate and/or the impacts of the changes	1-4

Section IV

Question 27 (20 marks)

Analyse causes of changes in Australia's external stability. Why is external stability not considered a major policy concern for the Australian government at present?

Criteria	Mark
• Integrates relevant economic terms, concepts, relationships, data and theories • Provides a sustained, logical and cohesive response • Demonstrates a clear and comprehensive understanding of the main causes of changes in Australia's external stability • Demonstrates a clear and comprehensive understanding of why external stability is not currently considered a major policy concern for the Australian government	17-20
• Applies relevant economic terms, concepts, relationships, data and theories • Provides a logical and cohesive response • Demonstrates a sound understanding of the main causes of changes in Australia's external stability • Demonstrates a sound understanding of why external stability is not currently considered a major policy concern for the Australian government	13-16
• Uses some economic terms and concepts, and shows some relationships • Develops a coherent response • Outlines some of the main causes of changes in Australia's external stability • Outlines some of the reasons why external stability is not currently considered a major policy concern for the Australian government	9-12
• Develops a generalised response • Uses some economic terms or concepts • Sketches some of the causes of changes in Australia's external stability • Sketches some of reasons why external stability is not currently considered a major policy concern for the Australian government	5-8
• Presents a limited response • May attempt to use some economic terms • Attempts to address the issue of Australia's external stability	1-4

Question 28 (20 marks)

Discuss the impact of globalisation on trade flows, distribution of global income and environmental sustainability.

Criteria	Mark
• Integrates relevant economic terms, concepts, relationships, data and theories • Provides a sustained, logical and cohesive response • Demonstrates a clear and comprehensive understanding of the impact of globalisation on: - trade flows - distribution of global income - environmental sustainability.	17-20
• Applies relevant economic terms, concepts, relationships, data and theories • Provides a logical and cohesive response • Demonstrates a sound understanding of the impact of globalisation on: - trade flows - distribution of global income - environmental sustainability.	13-16
• Uses economic terms and concepts, and shows some relationships • Develops a coherent response • Outlines some of the impact of globalisation on: - trade flows - distribution of global income - environmental sustainability.	9-12
• Develops a generalised response • Uses some economic terms or concepts • Sketches some of the impact of globalisation on: - trade flows - distribution of global income - environmental sustainability.	5-8
• Presents a limited response • May attempt to use some economic terms • Attempts to address the issue of impact of globalisation on trade / distribution of income/environment	1-4